GA1.13:HRD-81-111

576-D

BY THE COMPTROLLER GENERAL

Report To The Chairman, Senate Committee On Labor And Human Resources OF THE UNITED STATES

COMPLETED
89

Labor Needs To Better Select, Monitor, And Evaluate Its Employment And Training Awardees

Labor's Office of National Programs annually administers about $600 million in awards for employment, training, and related services to disadvantaged groups in labor markets. GAO found that this Office

--used sole source awards without adequately justifying their use,

--seldom evaluated awardees before renewing their awards,

--rarely evaluated or negotiated award proposals adequately before funding them, and

--inconsistently and inadequately monitored awardee performance to insure award terms were met.

GAO recommends that the Office make more competitive awards and that Labor separate grant and contract functions from the Office.

HRD-81-111
AUGUST 28, 1981

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COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON D.C. 20548

B-203219

The Honorable Orrin G. Hatch
Chairman, Committee on Labor
and Human Resources
United States Senate

Dear Mr. Chairman:

In response to your March 30, 1981, request, this report describes how the Department of Labor's Office of National Programs administers its employment and training awards. The report contains recommendations for improving the Office's administrative practices.

We are sending copies of this report to the Secretary of Labor; the Director, Office of Management and Budget; selected congressional committees and subcommittees; and others who may be interested in it.

Sincerely yours,

Milton J. Socolar

Acting Comptroller General
of the United States

COMPTROLLER GENERAL'S
REPORT TO THE CHAIRMAN
COMMITTEE ON LABOR AND
HUMAN RESOURCES
UNITED STATES SENATE

LABOR NEEDS TO BETTER SELECT, MONITOR, AND EVALUATE ITS EMPLOYMENT AND TRAINING AWARDEES

D I G E S T

The Department of Labor's Office of National Programs administers about $600 million each fiscal year in grant and contract awards under the Comprehensive Employment and Training Act and the Older Americans Act for employment, training, and related services. GAO undertook this review to assess how well the Office carried out its administrative processes. During the review, the Chairman of the Senate Committee on Labor and Human Resources requested that GAO address its report to him.

GAO reviewed a statistical sample of 175 awards from an estimated universe of 479 awards or major funding decisions made in fiscal year 1979. The 1979 awards were chosen because, at the time fieldwork was done, they were in place long enough to evaluate the Office's administration of them. (See pp. 2 and 3.)

MANY AWARDS MADE ON A SOLE SOURCE BASIS; RENEWALS NOT EVALUATED

The Office often used sole source awards for special projects 1/ and, for most awards in the sample universe, did not adequately consider awardees' prior performance when making a renewal award.

Based on GAO's sample universe, the Office made 237 awards (49 percent) on a formula basis 2/ and 102 awards (21 percent) competitively. Of these 102 awards, 82 were made through competitive processes mandated by Labor regulations. The remaining 20 awards were for special projects.

1/Other than formula awards and awards for nationally competed farmworker projects.

2/Formula awards were made by allocating funds to eligible and qualifying awardees based on such factors as the size of the population in the area to be served.

The other 140 awards (29 percent) 1/ were made noncompetitively for special projects, with no attempt to determine whether there were other responsible applicants. (See p. 7.)

Because of the potential for better work agreements and/or lower costs resulting from competition, the Office should justify each instance when it considers only one organization for a special project award. For the 140 sole source awards, GAO found little evidence supporting the decisions. For 66 awards (47 percent), sole source review and justification had been administratively waived, and in another 66 cases, GAO could find no Labor-prepared justification for the sole source awards. For the other eight awards (6 percent), sole source justifications were prepared, but documents in the award files showed that these justifications were merely restatements of statutory authority to do so, rather than explanations of the circumstances justifying sole source awards. (See p. 8.)

Although 82 percent of the Office's awards were renewals to the same organization, the Office rarely assessed the awardees' prior performance in making refunding decisions. GAO found these assessments in only 13 percent of the award renewals. (See p. 10.)

GOOD GRANT AND CONTRACT MANAGEMENT PRACTICES OFTEN NOT USED FOR AWARDS

The Office did not separate grant and contracting management and program responsibilities. (See p. 16.) Consequently, most of the award activities, such as evaluating and negotiating proposals, were handled by program staff who placed little emphasis on following good grant and contracting practices. As a result:

--More than two-thirds of the awards in GAO's sample universe were not fully reviewed and negotiated; hence, many contained vague statements of the proposed work, questionable or unjustified costs, and budget errors. For example, one award overstated budgeted salaries by about $64,000. One of these errors was that the project coordinator's salary was budgeted for more than his annual salary even though he was only scheduled to work 30 weeks of the year. (See pp. 17 and 21.)

1/Does not total 100 percent due to rounding.

--Some awardees were authorized to begin work before the awards were made without the Government's interests being protected by specifying the terms of the work authorizations. (See p. 22.)

--Many awardees were placed on a letter-of-credit payment system without adequate documentation that they met the system's requirements. (See p. 26.)

--The date the award became effective frequently preceded the date it was executed. (See p. 27.)

MONITORING OF AWARDS LIMITED

The Office has not adequately monitored its awardees. Consequently, it did not know whether its awardees met objectives and prudently used Federal funds. GAO found that 34 percent of the files showed no evidence of monitoring, 47 percent showed little monitoring, and only 19 percent showed regular monitoring. (See p. 33.)

Although a primary method of monitoring is reviewing awardees' progress reports, 31 percent of the Office's awardees failed to submit most (70 to 80 percent) of the required progress and fiscal reports for the latest performance period at the time of GAO's review. Twenty-four percent did not submit most of the required reports for prior reporting periods. Only in 17 percent of the cases where most reports were not submitted did GAO find evidence that the Office tried to obtain the missing reports. (See p. 33.)

Office representatives did not visit 58 percent of the awardees. Most of the Labor representatives assigned to the awards told GAO that the Office did not have enough money for site visits or that their workload was too heavy. (See p. 35.)

When Office representatives identified awardee problems, they did not always attempt to resolve them. In addition, GAO found many problems that had not been identified by the representatives. For example, the award files contained a discussion of a fraud incident in which a counselor had submitted false timesheets and issued checks for a terminated enrollee. The Office representative for the award was not familiar with the incident

and did not know whether the funds had been recovered. (See pp. 36 and 37.)

RECOMMENDATIONS TO THE SECRETARY OF LABOR

The Secretary should require the Office to make greater use of competitive awards for its special projects, fully justify any awards made on a noncompetitive basis, and formally assess the performance of awardees before refunding them. (See p. 13.)

To insure that sound grant and contracting practices are followed, the Secretary should separate these functions from the Office. GAO also recommends other actions to improve the preaward process, including that the Secretary request proposals for Indian program activities only after appropriations are known. (See p. 30.)

The Secretary should improve the Office's monitoring of its awardees' activities by placing greater emphasis on site visits; obtaining required reports; and promptly identifying, following up on, and resolving problems with awardee performance. (See p. 38.)

AGENCY COMMENTS

By July 21, 1981, letter, the Department of Labor, with one exception, concurred with all recommendations and stated that actions are being taken to implement them. (See app. IV.)

Labor disagreed with GAO's recommendation to request Indian program proposals only after its appropriations are known. Labor believed that (1) receiving a special one-time partial year appropriation would not be feasible at this time and (2) the issue of "advance appropriations" must be resolved on a Government-wide basis before it can act on GAO's recommendation. GAO agrees that the fiscal year 1982 budget cycle is too far advanced to implement its recommendation for that year, but this special appropriation can be requested in a subsequent year. GAO also believes that the issue of "advance appropriations" does not apply in this instance and that Labor should act on its recommendation. (See p. 31.)

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ABBREVIATIONS

CETA	Comprehensive Employment and Training Act of 1973
ETA	Employment and Training Administration
GAO	General Accounting Office
ONP	Office of National Programs

CHAPTER 1

INTRODUCTION

The Comprehensive Employment and Training Act of 1973 (CETA) (29 U.S.C. 801, as amended by Pub. L. No. 95-524) was enacted to (1) establish a flexible and decentralized system of Federal, State, and local programs to provide job training and employment opportunities for economically disadvantaged, unemployed, or underemployed persons and (2) assure that training and other services lead to maximum employment opportunities and enhanced self-sufficiency. Most CETA activities are carried out by prime sponsors--generally State and local governments--with grants from the Department of Labor under various titles of the act. In contrast, the Congress felt that programs for persons who face special disadvantages in the labor markets were best administered at the national level. Labor's Office of National Programs (ONP), part of the Employment and Training Administration (ETA), administers several of these programs under authority contained in CETA title III. It also administers a program authorized by title IX of the Older Americans Act (42 U.S.C. 3001 and 3056), as amended by the Older American Amendments of 1975.

PROGRAM ACTIVITIES AND FUNDING

ONP awards grants and contracts for (1) employment and training assistance and (2) related purposes (such as technical assistance to awardees) through four program offices. ONP's fifth office, the Office of Contracting Services, provides procurement support services to the following four program offices:

--Office of Special National Programs and Activities. This office administers various discretionary awards to provide employment and training assistance for persons with severe disadvantages in labor markets in industries and occupations not readily accessible to State and local prime sponsors. The office funds various organizations, but primarily community-based organizations and labor unions.

--Office of Farmworker and Rural Employment Programs. This office supports programs designed to combat chronic unemployment, underemployment, and substandard living conditions experienced by migrant and seasonal farmworkers and their families. These programs provide training and supportive services to individuals who wish to leave farmworker occupations and improved standards of living for those who remain in the agricultural labor market. Awards are made primarily to public agencies and public nonprofit firms and are funded both by competitive allocations and on a discretionary basis.

--Office of Indian and Native American Programs. This office mainly provides formula grants to tribal governments and other organizations controlled by Native Americans for activities, including public service employment, classroom and on-the-job training, work experience, day care, counseling, and youth programs.

--Office of National Programs for Older Workers. These programs, authorized by CETA title III and the Older Americans Act, are funded on a formula basis through national older worker organizations and State agencies. The programs aim to improve the economic and personal well-being of low-income persons, age 55 and above. Participants primarily provide such community services as school and hospital work and restoration and conservation efforts.

Estimated obligations for these offices in fiscal years 1979 and 1980 were:

ONP office	Fiscal year obligations 1979	1980
	(millions)	
Office of Special National Programs and Activities	$ 57.5	$ 72.3
Office of Farmworker and Rural Employment Programs	98.6	96.9
Office of Indian and Native American Programs	218.2	201.1
Office of National Programs for Older Workers	240.7	276.5
Total	$615.0	$646.8

OBJECTIVE, SCOPE, AND METHODOLOGY

Our previous reports on selected ONP activities (see p. 39) indicated that a broad review of its administrative practices should be made to identify opportunities for improving operations. During our review, the Chairman, Senate Committee on Labor and Human Resources, requested that we address our report to him.

Our objective was to assess how well ONP carried out its administrative processes for awarding and administering grants and contracts for employment, training, and related services. In this regard, we analyzed

--to what extent prior performance was a factor in renewing awards;

--whether possible alternative service deliverers were considered before selecting awardees;

--how frequently ONP authorized awardees to begin work before the awards were executed;

--how ONP conducted other award-related activities, such as negotiating awards and determining whether recipients qualified to be put on the letter-of-credit payment method;

--how extensively awardees were monitored by ONP; and

--to what extent grant and contract management and program responsibilities were separated in carrying out award activities.

We did not visit awardees to assess how well the service deliverers carried out award activities and to what extent benefits accrued to the client populations.

To accomplish our objective, we learned in general terms how ONP carried out award activities by (1) interviewing top-level ONP officials and their staffs, (2) interviewing other Labor officials knowledgeable of ONP activities, (3) reviewing management reports prepared by or for ONP, (4) reviewing prior reports prepared by us (see app. I), and (5) reviewing other documents describing how ONP operates.

We assessed ONP's award activities by analyzing a statistical sample of 175 awards from an estimated 479 awards made in fiscal year 1979. To do this, we designed instruments to record data from award files. We interviewed the ONP staff member (ONP representative) assigned to each award using another data collection instrument to gain additional information about the award.

We did our work at the Department of Labor in Washington, D.C., where most of ONP's activities are carried out, and at several cities (Anchorage, Alaska; Denver, Colorado; San Francisco, California; and Seattle, Washington) where ONP representatives are stationed.

Sampling methodology

Statistical sampling enabled us to draw conclusions about the universe of interest. The results from a statistical sample are always subject to some uncertainty (i.e., sampling error) because only part of the universe has been selected for analysis. The sampling error consists of two parts: confidence level and range. The confidence level indicates the degree of confidence that can be placed in estimates derived from the sample. The range is the upper and lower limits between which the actual universe value will be found. Our sample size was determined so that the expected sampling error would not exceed 7 percent at the 95-percent confidence level.

For example, a random sample of awards made by ONP showed that 82 percent of the awards in our sample universe were renewals. Using our sampling error formula, we were 95-percent confident that the true percentage of renewals would be within plus or minus 5 percent of the sample results. Thus, if we had looked at all ONP awards during our period of interest, the chances would be 95 in 100 that the actual percentage of renewals would have been between 77 and 87 percent. (See app. II for the more crucial estimates and sampling error sizes.)

The basis for all sampling in our review was a Labor-supplied printout of new awards or major fundings 1/ of in-place awards made during fiscal year 1979. We chose 1979 since, at the time we compiled the universe, these awards were in place long enough to allow us to look at the areas we were interested in--such as progress evaluation--but also were awarded under procedures in use at the time of our fieldwork, with the exception of a CETA title III steering committee established after our sample period.

Since ETA does not compile budget information on awards by administrative office, but rather by budget function, we cannot be sure of the exact number of awards of $25,000 or more made by ONP in fiscal year 1979. However, based on the data supplied by Labor, our tests of the universe for accuracy, and our sampling of universe elements, we believe that the following approximates the universe of awards:

ONP office	Estimated universe	Number of awards sampled
Office of Special National Programs and Activities	73	40
Office of Farmworker and Rural Employment Programs	135	50
Office of Indian and Native American Programs	201	50
Office of National Programs for Older Workers	70	35
Total	479	175

We did not perform a reliability assessment of ETA's management information system that generated these data.

1/We excluded all awards of less than $25,000 since these awards were usually for services, such as purchase orders, rather than providing employment and training services.

After separating the awards by ONP office, we randomly selected a sample within each office so that our results would be statistically valid for each office and for the universe of fiscal year 1979 awards. In addition, we stratified the farmworker awards by award mechanism: (1) formal competitive process and (2) other awards. (See ch. 2.)

Grant requirements versus contract requirements

In general, the roles, responsibilities, and legal obligations of both the Federal Government and the recipient are different for contracts than they are for grants. In addition, contracting procedures are based on a substantial body of law and regulation. This is not true for grants. The issue of when it is appropriate to enter into either a grant relationship or a contract relationship and the attendant consequences of this choice are under much study and are not likely to be resolved in the near future.

In our sample universe, one ONP office used contracts to obtain employment and training services, while other ONP offices used grants for similar types of awards. Labor's Acting Solicitor told us that Labor characterizes the legal obligations under the contracts made by the one ONP office as contractual obligations, although Labor characterizes the Labor-recipient relationship as "financial assistance" (grant) under the Federal Grant and Cooperative Agreement Act of 1977 (41 U.S.C. 504).

Since ONP uses both grants and contracts for similar employment and training activities, we did not differentiate between ONP grants and contracts in this report. Rather we evaluated ONP's administrative practices in terms of ONP "awards." We believe that, in the context of ONP's mission, the issues we discuss and recommendations we make involve practices that are common to both ONP grants and ONP contracts for employment and training activities. We believe that the actions we recommend are, for ONP, prudent practices that it should undertake to ensure that CETA and Older Americans Act funds are effectively and efficiently spent. We are not suggesting that our recommendations should necessarily apply to other Labor or other agencies' grant activities. Nor are we, in this report, advocating the wholesale adoption of the governing body of civilian contract procedures, the Federal Procurement Regulations, to grant activities.

Naming grantees and contractors

We limited our review of sampled awards to (1) reviewing award files and other materials the ONP representatives indicated were pertinent and (2) interviewing the ONP representatives. We did not contact the awardees since our intent was to review ONP award practices. Accordingly, we are not identifying awardees in this report.

CHAPTER 2

AWARDEES WERE OFTEN SELECTED ON A SOLE SOURCE BASIS, AND THEIR PERFORMANCE WAS SELDOM EVALUATED BEFORE AWARD RENEWAL

ONP often made awards for special projects 1/ on a sole source basis without considering other potential awardees. Overall, ONP considered more than one applicant only 21 percent of the time. Of the other awards, 49 percent were made based on formula allocations 2/ in two ONP offices, and 29 percent were made on a sole source basis for special projects without considering other organizations. 3/ For the special project awards made on a sole source basis, the records seldom indicated why ONP did not consider other potential awardees.

Additionally, 82 percent of the awards in our sample universe were renewals of previous awards. Eighty-seven percent of these renewals were made without formally evaluating the awardees' prior performance.

COMPETITION IS THE PREFERRED PROCEDURE FOR MAKING AWARDS

The Congress has historically required that Government purchases of goods and services be accomplished using full and free competition to the maximum extent practicable. Offering all qualified individuals or organizations the opportunity to compete helps to minimize favoritism and collusion and provides greater assurance that supplies and services are obtained at the lowest prices, considering quality and other factors. Purchases of supplies or services for Government use are written as contracts.

Labor has a basic procurement policy that the selection of contractors shall be based on competition among responsible suppliers. However, Labor recognizes that there are circumstances where one organization or individual has exclusive or predominant capability by reason of expertise, specialized facilities, or technical competence to perform the work within the time required at a reasonable price.

1/Other than formula awards and awards for nationally competed farmworker projects.

2/These awards were made by allocating funds to eligible and qualifying organizations based on the size of the population to be served and, for Indian programs, income and unemployment levels.

3/Does not total 100 percent due to rounding.

Agencies also enter into other agreements called grants. These are used to further a Federal purpose, such as providing funds to employ and train disadvantaged persons. Statutes and regulations concerning the use of competition for awarding grants are not as explicit as those for awarding contracts. However, because of the potential for better work agreements and/or lower costs, we believe the principle of full and free competition, where practicable, should also be the preferred method for awarding ONP grants.

Both the Federal procurement regulations and Labor procurement regulations require that any noncompetitive contract award be fully justified and approved at a high level. For Labor, the Assistant Secretary for Administration and Management generally approves noncompetitive awards. Again, while those principles apply to purchases made by contracts, we believe the principle of fully justifying any noncompetitive ONP grant should also be followed.

Labor has established a Procurement Review Board to review proposed noncompetitive contracts, grants, agreements, or award modifications. Generally, all proposed noncompetitive awards or modifications of $10,000 or more (or 50 percent of the original procurement, whichever is less) must be reviewed by the board. Labor guidelines exempt from board review certain kinds of awards, including some ONP awards.

MANY SPECIAL PROJECT AWARDS WERE MADE WITHOUT COMPETITION

ONP awards funds three different ways. ONP made 102 awards (21 percent) in our sample universe by soliciting proposals from more than one applicant. Most of these awards (82 of 102 awards, or 80 percent) were made by the farmworker office for three of its programs in which the competitive process was mandated by its regulations. The other 20 awards in which ONP considered more than one applicant were for special projects. Eight of these awards were made by the farmworker office, and the Indian program office made 12 awards competitively for its economic stimulus program. The economic stimulus program was being phased out since it was intended to be part of a temporary stimulus to the economy. 1/

1/Because we directed our work to determining the extent of and justification for sole source awards for special projects, we did not attempt to assess the fairness of the competitive process. However, our recent report "Labor Needs to Better Manage Migrant Grants in Virginia and Improve the Process for Selecting Grantees" (July 1, 1981, HRD-81-66) noted some problems with the farmworker competitive process involving one grant.

ONP made 237 awards (49 percent) in our sample universe on a formula basis in the Indian and older worker program offices. 1/ The other 140 awards (29 percent) 2/ in our sample universe were made on a sole source basis for special projects with no attempt by ONP to determine whether other responsible sources were available. Most of these sole source awards were made by two ONP offices:

--The Office of Special National Programs and Activities made all of its 73 awards noncompetitively.

--The farmworker program office made 45 (85 percent) of its 53 special project awards noncompetitively.

Little justification of sole source awards

Because of the potential for better work agreements and/or lower costs associated with competition, we believe that noncompetitive awards for special ONP projects should be fully justified. We reviewed the award files to determine what support they contained for the sole source awards.

For the 140 sole source awards in our sample universe, in

--66 cases (47 percent), the files did not contain any justification for the sole source awards;

--66 cases (47 percent), ONP waived sole source reviews and justifications; and

--8 cases (6 percent), ONP prepared sole source justifications.

The justifications for the eight sole source awards were merely restatements of statutory authority to do so with no explanation of the circumstances justifying the sole source awards.

1/While these awards were made on a noncompetitive basis, Labor's regulations stipulate that funds be allocated by predetermined formulas to eligible organizations, such as Native American tribal governments and State offices on aging, to provide wide distributions of program funds. Since we devoted our work to determining the extent of and justification for special (nonformula) ONP projects, we did not assess the fairness of the allocation systems. Our report "The Distribution of Senior Community Service Employment Program Positions" (Nov. 8, 1979, HRD-80-13) discussed the procedures used at that time for selecting project sites for one older worker program.

2/Does not total 100 percent due to rounding.

The 66 sole source awards in which ONP waived the reviews and justifications were made by the Office of Special National Programs and Activities. The waivers were based on a Labor procurement manual provision allowing this action. We asked Labor's Acting Solicitor for the legal basis for the waivers. He said:

> "The justification for exempting certain ONP awards from the general requirement of the prior approval for non-competitive contracts is contained in CETA §123 (1), which provides:
>
> '* * * The Secretary and recipients of financial assistance under this Act shall give special consideration, in carrying out programs authorized by this Act, to community-based organizations, as defined in section 3, which have demonstrated effectiveness in the delivery of employment and training services.'* * *"

Labor's Acting Solicitor said us that Labor had administratively defined "demonstrated effectiveness" to mean that the services an awardee will provide relate specifically to competencies in (1) access to target groups, (2) capability of providing specific training, and (3) access to jobs.

Some sole source awards based on Labor's administrative definition of "special consideration" for awardees of "demonstrated effectiveness" did not seem justified. In some cases, even when organizations performed poorly, ONP continued to fund them without determining whether others could have done a better job. For example:

--ONP funded an entrepreneurial development job training effort in commercial silk screening and lithography through an interagency agreement with the Department of Commerce in fiscal year 1978. This effort was a failure, and the problems encountered were well documented. Despite ONP's knowledge of the problems, ONP renewed the job training portion of the project in 1979 for $452,700 with half of the funding from ONP and half from ETA's Office of Youth Programs. The volume of information in ONP's files regarding poor performance and failure to reach established goals was overwhelming. However, Labor continued to provide assistance with the hope of turning the program around. ONP was ready to terminate the project before its termination date if significant problems continued. Any improvements made were not well documented in the files. The project was renewed in 1980 for $527,000. The award files files did not contain any justification for the fiscal year 1979 sole source procurement, and sole source review and justification were waived for the 1980 award.

--ONP awarded $488,000 in fiscal year 1979 to an organization of church-related community economic development or other self-help organizations and church mission units. The awardee was to train and place 51 persons in basic construction skills. When ONP was considering award renewal with 1 month left in the award period, the awardee had apparently met its training goal, but had placed only 11 participants. Despite this poor placement performance, ONP funded the awardee in fiscal year 1980 for $1 million, with the funding split between ONP and ETA's Office of Youth Programs. Both the fiscal year 1979 and 1980 awards waived sole source review and justification.

For other examples of problems noted during our review, see appendix III.

We reviewed Procurement Review Board files to determine if the board reviewed any of the awards in our sample universe. For the two awards in our sample universe that received board review, the material provided to the board appeared to adequately justify the sole source awards.

Steering committee review

In September 1979, after most of the awards in our sample universe were made, Labor established a CETA title III steering committee 1/ to review and approve the use of title III discretionary funds. Most of these funds are administered by ONP's Office of Special National Programs and Activities.

The committee reviews and approves, as appropriate, the funding plan, which is then sent to the Secretary of Labor for final approval. Our review of the committee's minutes and other material provided us for the fiscal year 1980 and 1981 funding plans showed no additional documentation to justify any sole source awards made during that period.

MOST AWARDS WERE RENEWED WITH LITTLE EVALUATION OF PAST PERFORMANCE

One of the factors in a renewal decision should be the awardee's performance under the preceding award. Our review (see ch. 4 and app. III) disclosed many problems with awardee performance.

1/Composed of the Executive Assistant and Counselor to the Secretary of Labor, the Deputy Under Secretary for Legislation and Intergovernmental Relations, the Assistant Secretary for Employment and Training, and the Deputy Assistant Secretary for Employment and Training.

ONP does not require that awardees' performance be evaluated before they are renewed. Based on our sample of fiscal year 1979 awards, 82 percent of the awards were renewals, and only 13 percent had any meaningful evaluation. The evaluations were seldom extensive. Usually they dealt with only a few of the many awardee functions (such as meeting stated goals, the awardee's administrative capability and performance, and linkages with related programs).

We looked for any written material in the award files that showed that ONP evaluated the awardee's performance on a preceding award before deciding to refund it. If we did not find any evidence of meaningful evaluations, we asked the ONP representative assigned to the award if such an evaluation was prepared and tried to obtain the evaluation. We did not look for evaluations of previous awards for sampled awards made through the farmworker competitive process because, at the time of our review, though after the awards in our review were made, the farmworker office did not allow its advisory rating panel to see performance data or evaluative documents. (See p. 12.)

Based on our sample universe, the following table shows the extent to which ONP evaluated awards before refunding them.

ONP office	Number of renewals	Percent of awards that were renewals	Number of renewed awards evaluated	Percent of renewed awards evaluated
Special National Programs and Activities	64	88	11	17
Farmworker and Rural Employment Programs (note a)	37	70	29	79
Indian and Native American Programs	161	80	4	2
National Programs for Older Workers	64	91	0	0
Total (note a)	326	82	44	13

a/Excludes 82 awards made through the competitive process. (See p. 12.)

Reasons for no evaluations

We asked the ONP representatives responsible for the awards why evaluations were not prepared. Three responses were given most often. The first was that evaluations were not needed because performance was known from regular monitoring of award activities (26 percent of responses). Secondly, we were told that there were not enough resources (staff, time, and money) for evaluations (21 percent of responses). ONP representatives told us that, on an average, they were responsible for 10 awards during our sample period. Thirdly, ONP representatives told us that no evaluations were prepared because ONP management did not require it (20 percent of the responses). Other responses and the frequencies of occurrence are shown in appendix II, table 2.5.

At the time of our fieldwork, though after the time when awards in our sample were made, award recommendations to ONP management made under an advisory rating panel process in the farmworker program office were purposely made without any evaluation of past performance. The farmworker program official responsible for administering the panel process told us that the farmworker office felt that a CETA provision--the "Butler amendment"--prevented them from providing its advisory rating panel any evaluative comments on prior awards before they reviewed the refunding proposals. This provision (29 U.S.C 873) states that:

> "* * * In awarding a grant or contract for services administered under this section, the Secretary shall not assign any preferential weighting factor to an application therefor by virtue of the fact that the applicant holds at the time of application a prior grant or contract to provide services under this section; nor shall the Secretary assign any negative weighting factor to an application by virtue of the fact that an applicant is an instrumentality of State government."

The ONP official in charge of the panel process told us that other material, such as audit reports, are used by ONP management in accepting or rejecting the panel recommendations and in making the final award decision, although this material is not made available to the panel.

Regarding the farmworker program office's decision not to allow rating panels to see past performance data in evaluating certain award proposals, Labor's Acting Solicitor stated that the "Butler amendment" does not prohibit performance data from being considered in evaluating these proposals. In a recent report, 1/

1/Ibid., page 7.

we recommended that the Secretary of Labor require that performance evaluation information in the form of periodic status reports, field assessments, and audit findings be made available to rating panels in considering proposals. Labor concurred with this recommendation, but did not state how it planned to implement it.

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See appendix III for other examples of problems.

CONCLUSIONS

ONP relied heavily on sole source awards for special projects without demonstrating the need to use such awards to obtain employment and training services. Furthermore, the lack of justification in the files for specific actions made it impossible to determine the bases for many of these decisions. ONP's limiting competition in other cases when it decided to make sole source awards based on its administrative definition of "demonstrated effectiveness" did not always seem justified. ONP continued to fund awardees that performed poorly.

Most of ONP's awards are renewals of previous awards to the same organizations. However, formal assessments of the awardees' performance were rarely made. Written assessments of past performance using available materials (such as performance and financial reports submitted as part of the award agreements, trip and other monitoring reports prepared by ONP representatives, and other assessments prepared by certified public accountants and others) could be used under any award process in deciding whether to refund awardees and in identifying areas that the awardees need to improve. Such evaluations would not require excessive time, money, or staff since these materials should be readily available to Labor officials. These evaluations should contribute to more informed refunding decisions.

RECOMMENDATIONS TO THE SECRETARY OF LABOR

We recommend that the Secretary direct ONP to

--make greater use of competitive awards for its special projects,

--fully justify in writing all awards made on a noncompetitive basis, and

--prepare written assessments of an awardee's performance under prior awards before refunding the awardee.

LABOR'S COMMENTS AND OUR EVALUATION

Labor's comments on a draft of this report are included as appendix IV.

Labor concurred with our recommendation to increase the use of competitive awards in ONP. Labor stated that most of ONP's awards are made through formula programs and, except in limited situations, competitive awards cannot be made. Our report recognized that many of ONP's awards are made on a formula basis. Our discussion of ONP's noncompetitive awards, and the intent of our recommendation, pertain to its nonformula awards. We have revised our discussion and our recommendation to make this clear.

Labor further showed that ONP plans to award at least $452 million (91 percent) of its anticipated fiscal year 1982 funds by making formula-based awards or through its formal competitive programs and that it expects that at most $42 million (9 percent) will be available for discretionary projects that might be awarded noncompetitively. According to Labor, it will carefully consider awarding a substantial share of this $42 million competitively and will fully justify any noncompetitive awards.

Labor also concurred with our recommendation to fully justify in writing all noncompetitive awards and stated that ONP has been instructed to develop more precise and thorough procedures that will prevent noncompetitive awards from being made unless a proper justification has been prepared and all necessary approvals have been obtained.

Labor also concurred with our recommendation that ONP prepare written assessments of an awardee's performance under prior awards before refunding the awardee. Labor stated that ONP will develop precise and thorough written procedures for this performance assessment.

An ONP official told us that an ETA-wide task force is being set up prepare materials for implementing our recommendations. The task force is expected to be composed of ONP and non-ONP officials with diverse skills, including specialists in contracting, financial management, management analysis, and program assessment. The task force's targeted completion date is fall 1981.

We believe Labor has responded positively to our recommendations and that ETA's task force representing diverse backgrounds and specialties can be an effective means of implementing our recommendations.

CHAPTER 3

GOOD GRANT AND CONTRACT MANAGEMENT PRACTICES WERE SELDOM USED IN MAKING AWARDS

Most of ONP's preaward activities were handled by program office staff with little assistance from the Office of Contracting Services or other Labor offices with grant and contracting expertise. As a result, program staff placed little emphasis on following good grant and contract practices. Consequently, ONP

--failed to fully evaluate proposals and adequately negotiate with applicants;

--authorized awardees to start work before finalizing the awards, using work authorizations that failed to protect the Government;

--placed awardees on letters of credit without requiring them to demonstrate that they met the requirements of Federal regulations; and

--frequently signed awards on one date, but made them effective on an earlier date.

BASIC PROCEDURES USED IN MAKING AWARDS

The award of a Federal grant or contract is a complex procedure subject to numerous laws, regulations, and agency requirements. The following are basic procedures for making awards:

--Determining the need for a good or service.

--Determining the specifications for the good or service.

--Obtaining approvals to obtain the good or service.

--Determining the method of obtaining the good or service (either advertising or soliciting from one or more prospective suppliers) and obtaining proposals.

--Evaluating proposals to determine whether they meet the agency's needs.

--Negotiating, as appropriate, with a potential supplier(s) to obtain an agreement that is most advantageous to the Government.

--Finalizing the award documents and obtaining all necessary approvals.

FAILURE TO SEPARATE GRANT AND CONTRACT MANAGEMENT RESPONSIBILITIES FROM PROGRAM RESPONSIBILITIES CONTRIBUTED TO MANAGEMENT WEAKNESSES

Labor's procurement regulations (41 CFR 29-1.453), which govern its contracting practices, state that the heads of procuring activities should take necessary measures to insure the independence of contracting offices. In this regard, the regulations state that Labor's policy is to place procurement officials to the maximum practical extent outside the direct supervision of program operating officials. Although these regulations apply only to contracts, we believe that this separation of functions should also apply to ONP grants.

ONP violates the principle of separating grant and contract management (award management) and program responsibilities in two ways. First, the "grant and contracting officials" are also the "program officials." That is, individuals who are charged with ensuring that good award management practices are followed are also those charged with accomplishing program objectives. ONP officials who have been delegated authority to act as either grant and/or contracting officials are the Administrator and Deputy Administrator of ONP and the heads of the four program offices. These officials signed all the awards in our sample universe.

Second, ONP's Office of Contracting Services and other Labor offices with award management expertise are seldom involved in the preaward activities. For example, Office of Contracting Services staff participated in less than 2 percent of both the proposal evaluations and negotiations, with the program office staff handling the remaining evaluations and negotiations exclusively.

The Director, Office of Contracting Services, who reports to the ONP Administrator, told us that his office has no involvement with the award activities of the Offices of Farmworker and Rural Employment Programs and Indian Native American Programs except for numbering and recording the awards. Regarding the Office of National Programs for Older Workers, he said his office recently began reviewing grant signature sheets for accuracy after negotiations are completed. He said his office has also recently begun reviewing budget terms and conditions of contract packages for the Office of Special National Programs and Activities--again after negotiations with the awardee have been completed. The director added that he was the only person in his office with contracting expertise.

In addition to our work, a 1976 Labor task force study, which included ONP's awards process, found that many problems arise when staff with award management expertise do not participate in negotiating and finalizing awards and modifications. The task force

reported that problems, such as incomplete documentation and errors in the award, could be eliminated to a great extent by more active participation of award management specialists early in the awards process.

LITTLE EVIDENCE THAT ONP ADEQUATELY EVALUATED OR NEGOTIATED PROPOSALS

ONP regulations require that each funding proposal contain a narrative description of the proposed program and an adequate budget justification. Both the proposed program (for such items as the number of persons to be trained and the method for doing so) and the proposed budget (for the line items in the budget and/or the total amount) are subject to review and negotiation by ONP. Before making the award, ONP should fully evaluate both the cost and technical aspects of the proposal. When problems are identified, ONP should negotiate with the applicant to reach the most advantageous agreement to the Government.

Of the 479 awards in our sample universe, only 130 award files (27 percent) contained evidence of cost evaluation and only 143 (30 percent) documented technical aspects (work statements) of the evaluation. Award files also indicated that negotiations were conducted for only one-third of the awards: costs were negotiated for 153 awards (32 percent), and negotiation on technical aspects occurred in 151 awards (32 percent). Where these activities did occur, they were often poorly documented and poor negotiating techniques were used. Many proposals approved by ONP contained vague work statements, and salary and other budgetary errors. Details of such activities by the ONP office are shown in the following table.

Number (and Percent) of Awards
Showing Proposal Evaluation and Negotiation

ONP office	Cost aspects evaluated	Technical aspects evaluated	Cost aspects negotiated	Technical aspects negotiated
Special National Programs and Activities	24(33)	35(48)	49(67)	38(52)
Farmworker and Rural Employment Programs	52(39)	60(44)	52(39)	63(47)
Indian and Native American Programs (note a)	12(6)	4(2)	8(4)	4(2)
National Programs for Older Workers	42(60)	44(63)	44(63)	46(66)
Total	130(27)	143(30)	153(32)	151(32)

a/These data are subject to large error. See appendix II, tables 3.1 and 3.2.

We interviewed the ONP representative responsible for each award for which we did not find evidence of negotiations to determine why negotiations were not held or documented in the files. In 39 percent of the cases, the representatives told us that negotiations had been conducted, but had not been written up or documented in the files. In another 38 percent of the cases, the representatives told us that they were satisfied with the proposals as submitted, thereby eliminating the need for negotiations. Representatives also gave other reasons for not conducting negotiations, although the frequencies of these responses were relatively small.

Adequate documentation not always prepared

Negotiation memoranda for many awards in our sample universe were not prepared, and many that were prepared contained little information on matters discussed during the negotiation process. Federal procurement regulations stipulate that negotiation memoranda are a critical part of the award file. While these regulations apply only to contracts, we believe this requirement should also apply to ONP grants.

Only 171 (or 36 percent) of ONP's award files contained reports or memoranda on proposal negotiations. Negotiation memoranda were included in 97 percent of Special National Programs and Activities awards, 52 percent of Farmworker and Rural Employment Programs awards, and 43 percent of National Programs for Older Workers awards. We found no negotiation memoranda in Indian and Native American Programs award files. The following examples of vague negotiation memoranda highlight the problems identified in our sample universe. While these problems cannot be statistically projected, we believe they occurred often enough to illustrate the limited documentation in the files.

Example 1. The memorandum of negotiation for a $292,000 award to provide job training for 300 economically deprived or handicapped persons was very brief. It concerned the field coordinator's salary, budget increase over prior award, and goals for disadvantaged women. The ONP representative responsible for this award explained that the memorandum did not reflect all the negotiating that transpired. He said that much of the negotiation was done by telephone, and he did not remember details of these discussions.

Example 2. The negotiation memoranda for a $4,340,026 farmworker award and subsequent modification were sketchy. The memorandum for the initial award included broad descriptions, such as

--an employability development plan,

--"the nature and per capita costs,"

--program structure and design, and

--grantee monitoring and self-assessment process.

In addition, the major items of negotiations for the award modification were listed simply as

--performance,

--coordination with State and local plans and programs,

--indirect costs, and

--technical assistance and training plan.

Both the negotiation memoranda contained only the above list of areas with no details of what was discussed and how issues were resolved.

The ONP representative for this award told us that much of the negotiating is usually not documented. The representative said that major proposal items are discussed weeks before the across-the-table negotiations and the records of these preliminary discussions are seldom retained.

Example 3. The negotiation memorandum for a $350,000 farmworker youth award was vague. The memorandum referred to a negotiation telegram for a list of major items discussed. This telegram was not in the files. The grantee later received an additional $594,476, but the award files contained no evidence that this modification was negotiated. The ONP representative for this award told us that both the technical and cost aspects of the modification were negotiated, but she could not explain the lack of documentation in the file.

Some proposals did not justify the planned program or expenditures

ONP program regulations require funding proposals to contain, among other things,

--a description of the need for the program and its objectives, including benefits which will accrue to program participants, and

--a budget which accounts for such items as administrative costs, participant allowances, wages and fringe benefits, and training costs.

Many of the awards approved by ONP did not adequately describe what the awardee proposed to do or justify the planned use of funds. Proposals contained vague narrative program descriptions, and salary schedules were often wrong. In a few cases, awards were made with no justification as to how funds would be used. Examples of problems with award proposals follow. While these examples cannot be statistically projected, they illustrate the deficiencies contained in many awards:

--The work statement for a $1.3 million award to provide job training in the automotive, agricultural implement, and aircraft industries did not specify any skills or trades the enrollees were supposed to learn.

--An awardee received $377,000 to place minority youths primarily in the building and construction industry. The work statement did not define the types of supportive services to be provided or include participant characteristics. The ONP representative responsible for this award told us that an internal ONP document contained the required participant characteristics and that the awardee is responsible for using these data. Although this document was in the ONP representative's files, the files did not show that the awardee had agreed to meet these terms.

--One award contained a provision for hiring a consultant for $9,400, but the work statement did not mention what the consultant was supposed to do.

Budget costs not verified

We noted many budget errors in the award documents approved by ONP. The errors involved simple computations of such items as staff salaries, participant wages, and fringe benefits and omissions of required information. Many of the errors had not been detected by ONP, and in some cases, the ONP representative responsible for the award could not explain how the mistakes were made or what the correct budget amounts should have been. We cannot statistically project these examples to ONP's universe of awards, but we believe they represent a significant problem in the award process.

For example, one $2.3 million award had net budget errors of nearly $1.6 million in the original award and subsequent modifications--errors of $688,700 in the original budget, $484,800 in the first modification, and $394,700 in the second modification. The errors were made primarily in computing enrollee wages and fringe benefits. The ONP representative responsible for this award was not previously aware of these errors and could offer no explanation for them.

In another case, the budget salary schedule for a modification to a minority youth training program award contained several questionable items. The project director's salary was budgeted for $24,000, but based on the amount of time he was scheduled to devote to the project, the salary should have been only $13,800. A project coordinator's salary was overbudgeted by $8,000. The project coordinator's budgeted salary was greater than his annual salary even though the position was to be filled only 30 weeks. Also, the prorated salary level for two identical positions differed by over $6,000 even though both had the same annual salary and were scheduled to work for the same number of weeks. The budgeted amount for these two positions was overstated by almost $11,000. Finally, the budget listed four different prorated salary levels for four secretarial positions although each had the same annual salary and each would be working for the same number of weeks. The total budget was overstated by about $64,000. The representative was not previously aware of these discrepancies and could not explain how the budget figures were determined. The ONP representative contacted the contractor, who was also unable to explain how the budget figures were determined.

In a third example, we noted that the sum of the individual line items of an approved budget was nearly $52,000 less than the total figure shown on the budget and on the award signature sheet. The ONP representative was not aware of this error until we told her, and she was initially unable to account for this discrepancy. After reviewing the awardee's narrative work statement and financial expenditure reports submitted, she determined that the awardee had neglected to report budgeted amounts for two items. The representative said she would instruct the awardee to submit a modification with the corrected budget figures.

Poor negotiating techniques used

We found several examples where, in awarding funds for discretionary projects, ONP told potential awardees the amount of funds for which they could apply. This is contrary to the sound management practice of keeping transactions at arm's length and negates the possibility of negotiating a more cost-effective agreement since applicants have no incentive to submit proposals for less than the amount communicated to them.

In one case involving a $1 million award, the ONP representative said she told the awardee how much to apply for. She explained that she did this to avoid unnecessary waste of time and energy in negotiating the budget.

In another case, the ONP representative for a $65,000 contract to place minority persons into apprenticeship programs in the construction industry told us that the award amount was not negotiated. Instead, ONP informed the awardee of the amount that was set aside for the project.

Another example of this practice is included in appendix III.

PREAWARD WORK AUTHORIZATIONS DID NOT PROTECT THE GOVERNMENT

One of ONP's program offices often provided its potential awardees with preaward work authorization letters 1/ allowing them to start work and incur costs before the actual awards were finalized. These letters did not contain sufficient safeguards to protect the Government.

Frequency of preaward authorizations

Preaward authorization letters were used most often by ONP's Office of Special National Programs and Activities and to a lesser extent by the Office of Farmworker and Rural Employment Programs and the Office of Indian and Native American Programs. The following table details the use of these preaward authorizations from our sample universe:

1/Federal Procurement Regulations (41 CFR 1-3.408) and Labor procurement regulations (41 CFR 29-3.408) authorize the use of a "letter contract" as a preliminary contractual instrument which authorizes the contractor to start work when (1) the interests of the Government demand that the contractor be given a binding commitment so that work can start immediately and (2) negotiation of a definitive contract to meet the procurement need is not possible. ONP issued both "letter contracts" and "letter grants" in our sample universe. An official in Labor's Office of the Solicitor told us that there is no specific authorization for an arrangement similar to a "letter contract" which will result in a grant. However, he told us that, since "letter contracts" are binding contracts, then "letter grants" would also be viewed as binding grant awards. Since the purpose of the letter contract and letter grant authorizations was the same, we are calling them "preaward work authorization letters."

ONP office	Number of preaward authorizations	Percent of awards
Special National Programs and Activities	20	27
Farmworker and Rural Employment Programs	11	8
Indian and Native American Programs (note a)	4	2
National Programs for Older Workers	-	-
Total	35	7

a/This estimate is subject to large error. (See app. II, table 3.4.)

Most of these awards (58 percent) were for continuing existing programs. The ONP representatives told us that the work authorizations were used to avoid unnecessary program interruptions. They explained that delays in award processing would have caused a lapse between the preceding and current awards.

Preaward authorization letters do not protect the Government

Labor's Acting Solicitor told us that the preaward authorization letters constitute binding agreements between ONP and awardees and legally obligate ONP to reimburse awardees for allowable costs incurred before the awards are finalized. Labor's Acting Solicitor also told us that, if negotiations should fail to produce an award, ONP would be legally required to pay any program costs incurred by the awardee up to the point of denial. None of the ONP preaward authorization letters contained sufficient language to protect the Government's interests.

The following table describes protective elements which could be included in an authorization and the extent to which our award sample contained them. 1/

Protective elements	Number (and percent) of work authorizations containing elements
A dollar limit on costs authorized to be incurred	9(26)
Location where work is to be performed	4(11)
A statement of work to be performed	7(20)
The ceiling price of the award to be made	13(37)
A performance or delivery schedule	2(6)
A requirement that work start immediately	0(0)
A cutoff date for the authorization	9(26)
A clause limiting Labor's liability to the lesser of either Labor's maximum liability under the authorization or costs incurred up to the specified cutoff date	0(0)
A requirement that the awardee and Labor enter into good faith negotiations to agree on terms and execute a definitive award	0(0)

We asked the ONP representatives for these awards about the lack of safeguards in the preaward authorizations. In 37 percent of the cases, the ONP representatives did not know why safeguards were not included or were not aware that such items should be specified. In nearly 31 percent of the cases, the representatives told

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1/Some of these protective elements are contained in the Federal Procurement Regulations (41 CFR 1-3.408), and others are contained in Labor's procurement regulations (41 CFR 29-3.408). While the elements from the procurement regulations apply only to contracts, these same provisions could be used in work authorizations for anticipated grant awards. This list is designed to illustrate protective elements that could be included and is not meant to be an exhaustive list.

us that this situation was caused by the lack of guidance from ONP on the type of information which should be included in the authorizations. In another 29 percent, the representatives told us that protective language is never used. 1/ Other reasons were given infrequently.

We also asked Labor's Acting Solicitor how well the authorization letters reflect the understanding between ONP and the awardees regarding the work authorized by the letters. The Acting Solicitor told us that ONP does not issue preaward work authorization letters unless both parties have reached complete agreement on the statement of work and the terms and conditions of the award. The Acting Solicitor said that, if a matter is still unsettled, ONP's requirement is stated in the letter as a condition of the awardee's authority to incur preaward costs.

This appeared to be true in 51 percent of the cases where authorization letters were used. However, the award files for the other cases did not contain sufficient data to allow us to determine to what extent negotiations occurred or if any unsettled issues remained when ONP sent the authorization letters.

We found one example that illustrates the problem that results when preaward authorization letters do not contain adequate protective language. 2/ On June 29, 1978, ONP sent an authorization letter to a potential awardee advising that negotiations had been completed regarding a $131,640 program to permit young people to serve an apprenticeship in a trade while studying for a college degree. According to the letter, no costs could be incurred against the award before July 1, 1978. ONP mailed a contract package to the organization for signature on July 18, 1978, but the signed contract was not returned until October 18, 1978. On December 18, 1978, ONP told the organization that, because of this delay, funds for the program were no longer available and that it could not execute the contract.

In February 1979, after the organization complained about the funding denial, the head of ONP's office handling the award requested that the ONP Administrator award the organization a $50,000 contract to pay for costs the organization had incurred and allow it to continue until September 1979. On April 6, 1979, ONP signed a $40,000 award to the organization for a program, according to

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1/These response estimates are subject to relatively large errors.

2/The other award files did not contain enough information to determine whether the lack of safeguards in the work authorizations led to problems.

internal correspondence, designed exactly like the previous one which was not funded. The ONP representative for this award told us that the $40,000 was not to reimburse the awardee for previously incurred expenses, but that ONP was still interested in the organization's idea.

Based on the Acting Solicitor's opinion, ONP had a binding agreement with the organization based on the authorization letter. ONP was obligated to pay any program costs incurred by the organization from July 1, 1978, up to December 18, 1978, when ONP notified the organization that it could not execute the contract. ONP could have protected the Government if the authorization letter had included adequate language including, at least, a cutoff date for the authorization and a statement limiting ONP's liability for costs incurred before the contract was finalized.

LETTER-OF-CREDIT REQUIREMENTS WERE FREQUENTLY NOT MET

Most of ONP's awardees are placed on a letter-of-credit payment system which allows them to draw down moneys as needed to meet expenses, rather than receiving periodic cash advances or reimbursements. Labor and Department of the Treasury regulations require that awardees meet the following five conditions before they are placed on this system:

--The award must be expected to total $120,000 or more during its life.

--The award relationship must be expected to last at least 1 year.

--The awardee must demonstrate its willingness and ability to establish and maintain procedures to minimize time between the transfer of funds to and the disbursement by the recipient.

--The awardee must demonstrate that its financial management system has adequate controls over fund control and accountability.

--The awardee must demonstrate its willingness and ability to develop and maintain procedures for advances to its subrecipients which conform substantially to the standards of timing imposed by Labor.

Twenty-three percent of ONP's fiscal year 1979 awards that were on letters of credit were placed on this system at the start of or during the award period. However, since ONP did not require its awardees to document their adherence to these requirements, it could not be sure that awardees had the desire or capability to

draw down only the amount of funds required to meet their immediate and short-term needs and to maintain adequate accountability and control over the funds after they were received. The table on the following page shows the extent to which the ONP award files documented these requirements.

We asked the ONP representatives why awardees were put on the letter-of-credit system when Federal requirements were not met. Seventy percent of the representatives told us that the ONP management did not require that all these conditions be met. Fourteen percent told us that they knew of the awardees' qualifications based on knowledge of performance under previous awards, and another 6 percent could not offer an explanation for this situation. Other responses were given infrequently.

When asked about the specific actions that their office had taken to determine that award recipients were qualified for a letter of credit, 52 percent of the representatives responded that no actions had been taken. About 28 percent of the representatives said that they knew their awardees were eligible because of past performance. Another 17 percent did not know what actions had been taken. Other responses were given infrequently. (These estimates are subject to relatively large error. See app. II, table 3.9.)

Problems can occur when ONP places awardees on letters of credit without requiring that all criteria be met. For example, one awardee received a $11.3 million grant to promote employment opportunities in community services for older unemployed persons and was placed on a letter of credit without the program office requiring documentation that it met the required criteria. The ONP representative for this award told us that, since the awardee was a large city agency, ONP assumed that its financial system was in order. However, a certified public accounting firm's audit of this grant found many weaknesses in the awardee's accounting and internal controls that would have prevented the awardee from meeting the Federal requirements for this payment system.

In another case where letter-of-credit requirements had not been met, the ONP representative told us that, since the award was for only $179,000, he felt that the awardee could not misspend this small amount of money.

AWARD EFFECTIVE DATES OFTEN PRECEDED AWARD EXECUTION DATES

The terms and conditions of an award should generally become effective on or after the date both parties sign the award. ONP's Office of Farmworker and Rural Employment Programs is the only ONP office whose regulations contain this requirement. In 277 cases (58 percent), ONP's award effective dates preceded the date the award was signed. The time lapse between the effective dates and

ONP office	Number of awards placed on letters of credit	Number (and percent) of awards meeting requirements: $120,000 or more	More than 1 year	Minimize time that cash is on hand	Adequate control over funds	Minimize subrecipients' available cash (note a)
Special National Programs and Activities	11	11(100)	11(100)	0(0)	0(0)	0(0)
Farmworker and Rural Employment Programs	14	14(100)	8(57)	5(36)	5(36)	0(0)
Indian and Native American Programs	60	60(100)	60(100)	12(20)	20(33)	4(33)
National Programs for Older Workers	4	4(100)	4(100)	0(0)	0(0)	0(0)
Total	89	89(100)	83(93)	17(19)	25(28)	4(18)

a/This requirement did not apply to all awardees placed on letters of credit since not all awardees anticipated making awards to subrecipients.

execution award dates averaged 24 days and was as long as 157 days. As shown in the following table, the conditions were especially prevalent in the Office of Special National Programs and Activities and the Office of Indian and Native American Programs.

ONP office	Number of awards with effective date preceding award date	Percent of awards made	Average number of days lapsed
Special National Programs and Activities	57	78	26
Farmworker and Rural Employment Programs	35	26	19
Indian and Native American Programs	177	88	24
National Programs for Older Workers	8	11	17
Total	277	58	24

According to the ONP representatives, administrative delays prevented the awards from being signed before the effective date in many cases. Since 88 percent of the Office of Special National Programs and Activities awards were renewals of existing awards, processing delays apparently should not have been a major factor in this situation.

The Office of Indian and Native American Programs provides annual grants to its awardees on a fiscal year basis effective October 1 of each year. Before the beginning of each fiscal year, the office provides each potential awardee an estimated allocation based on what it believes its congressional appropriations will be. The awardees submit proposals based on these allocations. For the past several years, however, appropriations have been delayed until after the fiscal year has started. After the appropriations are known, the awards are executed with the award signature sheet containing award allocation amounts based on the amount appropriated and the budget and work statement containing the estimated allocation amounts. Because the estimated amount is not the same as the appropriated amount, ONP then requests the awardees to change their budgets and work statements to agree with the award signature sheets.

Until these aligning modifications are submitted and ONP approves them, ONP cannot effectively monitor the awardees' activities since it does not know how the awardee plans to spend award funds. One way to avoid this situation would be to request proposals from potential Indian awardees only after Labor receives

its appropriation. This may involve delaying the start of the award period until after the start of the fiscal year. This change would also eliminate the substantial paperwork involved in submitting the aligning modifications.

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See appendix III for more examples of problems.

CONCLUSIONS

Grant and contract management responsibilities and program functions should be independent of each other. Many of the problems with ONP's preaward activities occurred because these functions were not independent--ONP officials functioned as both grant and contracting officers and as the persons charged with accomplishing program objectives. Additionally, most ONP award management activities were handled by program staff, who placed little emphasis on following good grant and contract management practices. The Office of Contracting Services and others with grant and contract expertise had little involvement with most awards in our sample universe.

ONP's preaward activities did not always insure that awardees' proposals contributed, to the maximum extent possible, in accomplishing program objectives and that the Government's interests were protected. In this regard, ONP's practices need strengthening in such areas as (1) evaluating proposals, (2) negotiating with applicants, (3) authorizing preaward work, (4) requiring awardees to comply with letter-of-credit requirements, and (5) specifying award effective dates.

RECOMMENDATIONS TO THE SECRETARY OF LABOR

We recommend that the Secretary:

--Separate ONP's grant and contract management functions from its program management functions. The award management function, including grant and contracting officer authority, should be independent of ONP.

--Require that ONP's program offices fully carry out and document all evaluations of proposals and negotiations with applicants.

--Require that ONP preaward authorization letters specifically state what the Government and awardees have agreed upon to protect the Government's interests.

--Require that ONP place awardees on letters of credit only after awardees document that they meet Federal requirements.

--Require ONP to begin award processing early enough so award effective dates occur on or after the dates both parties sign the awards.

--Request proposals for Indian program activities only after appropriations are known. This may involve delaying the start of the funding period until after the start of the fiscal year.

LABOR'S COMMENTS AND OUR EVALUATION

Labor concurred with all our recommendations in this chapter, with one exception, and said it is taking steps to implement them.

Labor disagreed with our recommendation to request proposals for Indian program activities only when appropriations are known. Labor recognized that there would be many advantages to adopting this recommendation. However, Labor stated that:

--Implementing this recommendation would require Labor to push back the start of the grant year, it would have to receive a one-time special appropriation to cover the grant year change, and the fiscal year 1982 funding cycle is too far advanced to realistically request and secure such an appropriation.

--The issue of "advance appropriations" 1/ must be resolved on a Government-wide basis before Labor could act on this recommendation.

Regarding Labor's first objection, we agree that the recommendation would require a one-time partial year appropriation to cover the grant year change and that the fiscal year 1982 funding cycle is too far advanced to realistically request and receive this special appropriation. However, Labor could make this request for a subsequent year's funding.

Regarding Labor's second objection, we do not believe the "advance appropriation" issue applies here. "Advance appropriations" involves receiving budget authority in an appropriation

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1/An advance appropriation is budget authority provided in an appropriation act to become available in a fiscal year, or more, beyond the fiscal year in which the appropriation is passed. The amount is included not in the budget totals of the year in which the appropriation bill is enacted, but in the budget totals for the fiscal year in which the amount will become available for obligation.

act to become available in a fiscal year beyond the fiscal year for which the appropriation act is passed. For example, an advance appropriation would be budget authority for fiscal years 1983 and 1984 in the fiscal year 1983 appropriation rather than just receiving the fiscal year 1983 appropriation in that year. In implementing our recommendation, Labor would still request only the 1 year's appropriation for that fiscal year. The Indian program proposals for that year would not be requested until after appropriations are known and the approved grants would last for 1 calendar year as they do now even though the grant year would span 2 fiscal years. 1/ Therefore, since Labor would request and receive only 1 year's appropriation each year, "advance appropriations" do not come into play.

1/This grant year change would not create problems in Labor's ability to carry out Indian program awards since CETA (29 U.S.C. 822) allows any funds not obligated in the fiscal year in which they were appropriated to be obligated in the succeeding fiscal year. Also, any funds obligated in a fiscal year may be spent up to 2 years after they are obligated.

CHAPTER 4

MONITORING OF AWARDS WAS LIMITED

Monitoring is the process by which the Government reviews awardees' progress to make certain that the Government receives the goods or services for which it pays. The ONP representative is primarily responsible for monitoring awardee activities to ensure that award terms are met. The representative monitors the awardees' performance through such methods as reviewing reports and relevant correspondence, visiting project worksites, and discussing progress with awardee personnel.

The award files in our sample universe showed little evidence of active monitoring, through trips, correspondence, or other Labor-initiated contacts with the awardees. Thirty-four percent of the awards showed no evidence of monitoring, 47 percent showed little monitoring, and only 19 percent showed regular monitoring.

Awardees often did not comply with requirements for performance and fiscal reporting, and ONP officials often did not try to obtain the required reports. There was little evidence of trips to, or other contacts with, awardees. ONP representatives did not always identify problems with awardees' performance, and when they did, ONP did not always try to resolve them.

ONP SELDOM REQUESTED TARDY PERFORMANCE AND FISCAL REPORTS

ONP award provisions require detailed regular reports (usually monthly or quarterly) showing program performance and a general accounting of dollars spent. However, awardees often failed to submit these reports. For ONP as a whole, 31 percent of the awardees in our universe failed to submit most 1/ of the required reports for the most current reporting period at the time of our examination, and 24 percent failed to submit most of the required reports for prior reporting periods. The following table illustrates this problem:

1/We applied the criterion that "most" of the reports were submitted if we could find at least 70 to 80 percent of the required reports. Awardees, of course, were required to submit 100 percent of these reports.

Awardees Not Submitting Most Required Reports

ONP office	Most current reporting period: Number of awards	Most current reporting period: Percent	Prior reporting periods: Number of awards	Prior reporting periods: Percent
Special National Programs and Activities	24	33	20	27
Farmworker and Rural Employment Programs	51	38	22	16
Indian and Native American Programs	52	26	56	28
National Programs for Older Workers	20	29	16	23
Total	147	31	114	24

Awardees' compliance in submitting these reports varied widely. For example, one awardee submitted all of the 88 required reports, while another did not submit any of the 25 required reports.

We also found that, where the award files showed that the awardees had not submitted most reports for either the current or prior reporting periods, 83 percent of the awards (152 cases) had no written evidence in the files that ONP had requested the overdue reports from awardees. (See app. II, table 4.4.)

When asked about these missing reports, some ONP representatives told us that the awardees did submit the reports, even though they could not locate the reports for us. Others told us that they tried to obtain the reports but were unsuccessful, while some told us that they never requested the reports.

Obtaining and reviewing awardees' reports is an important function of the ONP representative. Without such reports, only a partial assessment at best can be made of the progress in accomplishing the award's terms and goals. For example, one set of award files contained none of the 12 required reports. None of the officials working with the award at various times had the reports. One official claimed that she had requested the reports but had not received them. In addition, we found no evidence that any type of monitoring (site visits, records of telephone contacts, etc.) occurred to ensure that the awardee's progress was satisfactory. We could not tell what progress, if any, the awardee made in fulfilling the award terms.

ONP did extensively monitor one awardee through telephone contacts, correspondence, and three site visits in a case in which the awardee performed poorly and did not submit most of the required reports. ONP terminated the award and recovered the unspent funds.

In only one ONP office did we find any systematic effort to record required reports and to follow up on potential problems shown by those reports. The interagency farmworker housing group in the Office of Farmworker and Rural Employment Programs has a tracking system for the required reports. The system is simply a one-page form for recording required reports and noting whether the awardee had submitted them. The form also includes space for comments on the reports.

ONP REPRESENTATIVES VISITED LESS THAN HALF OF THE AWARDEES

Visits to awardees provide an opportunity to observe awardee operations and give technical advice. These visits enable ONP to better identify possible problems, help the awardees solve these problems, verify the accuracy of reports filed by the awardees, and review materials, such as awardee records, that are not available at the ONP representatives' duty stations.

However, ONP representatives did not always make site visits. Federal representatives we interviewed told us that they did not visit awardees in 58 percent (279 cases) of the awards. The following table summarizes this situation.

Awardees Not Visited By ONP Representatives

ONP office	Number of awards in which there were no site visits	Percent of awards in which there were no site visits
Special National Programs and Activities	35	48
Farmworker and Rural Employment Programs	49	36
Indian and Native American Programs	153	76
National Programs for Older Workers	42	60
Total	279	58

In addition, for 52 percent of the awards, we could find no evidence that anyone (ONP representative, other Labor personnel, or others representing ONP, such as private firms providing technical assistance) visited the awardee.

We asked ONP representatives why they did not make site visits. They told us 72 percent of the time that the reason was a lack of travel funds. Other responses occurred less frequently and are shown in appendix II, table 4.6.

We attempted to review travel records maintained by ETA to determine how much money was available for ONP travel. ONP has two sources of travel funds: "program administration" funds from Labor's annual appropriation for salaries and expenses and "technical assistance and training" funds authorized by CETA section 314. In fiscal years 1979 and 1980, ONP obligated $135,673 and $97,999, respectively, for staff travel from the program administration account. Technical assistance and training funds were available for staff travel and other activities, such as contracts to outside firms to provide technical assistance and training. ONP officials told us that they obligated $458,395 and $476,347 of these funds in fiscal years 1979 and 1980, respectively. However, from reviewing agency records, we could not determine how much of the technical assistance and training funds were available or used for staff travel.

AWARD PROBLEM IDENTIFICATION AND FOLLOWUP WERE NOT ALWAYS EVIDENT

ONP did not always follow up on problems with its awards. Examples of these problems include:

--An award required 12,500 individuals to be served during the award period (Sept. 1, 1979, to June 30, 1980). A report for the period September 1979 to April 1980 showed that only 7,790 participants were served (62 percent of the goal). The ONP representative told us that he was aware of this, but did not take action, preferring to wait and see if the number served increased in the last 2 months of the award period. He said that about 8,500 people ultimately participated, based on his phone contact with the awardee. This is still only 68 percent of the number the awardee agreed to serve.

--An awardee had placed 221 out of a 315-person placement goal (70 percent) with only 1 month left in the award period. The ONP representative told us that he was aware of the situation and claimed to have called the awardee, although we could find no record of this in the files. The representative felt no need to do anything other than call the awardee for information.

--The award file contained a discussion of a fraud incident in which a CETA counselor submitted timesheets and issued checks for a terminated CETA enrollee. The ONP representative said that he was not familiar with the incident, and he did not know whether anyone recovered the funds.

We did find a few cases, however, in which ONP personnel were aware of awardee problems and acted on them. For example:

--During the first 4 months of the award, an awardee's job placements of trained participants were low. The ONP representative met with the awardee and management representatives of the companies employing the trainees to prod management into giving the program stronger support. By the end of the award period, the awardee had substantially met the placement goal.

We also identified some apparent problems that ONP representatives could not explain or had not noticed. Some of these were:

--Though an awardee's statement of work showed it would undertake eight tasks, the files showed no evidence of anything being done on seven of the tasks. The ONP representative said that he had done nothing regarding the apparent lack of activity on the seven tasks.

--In another award during a particular period, the awardee reported outlays of $221,484 for the classroom training portion of the award, even though the same report showed it had planned to spend only $90,692 for that period. The ONP representative could not locate any reason for the awardee's action and had not questioned it.

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See appendix III for other examples.

CONCLUSIONS

In some cases ONP officials actively monitored awardees' activities, but in many cases they did not. Overall, because of the limited monitoring of awardees' performance, ONP did not know whether awardees met the terms of their awards or whether they used Federal funds prudently.

ONP did not always identify problems with awardees' performance, and when they did, ONP did not always act on and resolve those problems. Additionally, it often failed to request required fiscal and performance reports, and it failed to visit many awardees. To insure that award funds are spent prudently, ONP should

more actively scrutinize awardee activities and follow up on and resolve any problems it identifies.

RECOMMENDATION TO THE SECRETARY OF LABOR

We recommend that the Secretary direct ONP to place a greater emphasis on its monitoring activities. This emphasis should include (1) increased site visits; (2) prompt identification, follow-up, and resolution of problems with awardee performance; (3) documentation in award files of substantive agreements, problems, resolutions, or outstanding issues; and (4) development of a system to ensure that awardees submit required reports.

LABOR'S COMMENTS AND OUR EVALUATION

Labor concurred with our recommendation to place a greater emphasis on its monitoring activities. Labor stated that ONP has been instructed to

--increase onsite monitoring to the extent permitted by staff and travel resources, with the goal of visiting each awardee once a year;

--develop written procedures to require staff to alert their supervisors to any significant issues or problems and maintain records on the problems and how they are resolved; and

--develop a reliable system for detecting and reacting to situations when awardees do not submit required fiscal and performance reports.

These actions, if effectively implemented, should improve ONP's monitoring of its awardees' activities.

OTHER GAO REPORTS ON ONP

1. "Labor Needs to Better Manage Migrant Grants in Virginia and Improve the Process for Selecting Grantees" (July 1, 1981, HRD-81-66).

2. "The Distribution of Senior Community Service Employment Program Positions" (Nov. 8, 1979, HRD-80-13).

3. "Evaluation of the Secretary of Labor's Comments on 'The Award of Funds to the National Farm Workers Service Center, Inc., Was Poorly Managed'" (Oct. 2, 1979, HRD-79-127).

4. "The Award Of Funds To The National Farm Workers Service Center, Inc., Was Poorly Managed" (Jan. 15, 1979, HRD-79-30).

5. Letter report to Senator Henry Bellmon on Indian employment and training programs authorized by CETA (Dec. 8, 1978, HRD-79-28).

6. "Questionable Need for Some Department of Labor Training Programs" (Apr. 10, 1978, HRD-78-4).

7. Letter report to Congressman John Conyers on the implementation and progress of the Help through Industry Retraining and Employment (HIRE) program (Mar. 9, 1978, HRD-78-83).

8. "Stronger Controls Needed Over the Migrant and Seasonal Farmworkers Association Programs in North Carolina" (Sept. 8, 1977, HRD-77-84).

9. Letter report to Senator William Proxmire on allegations that ineligible applicants were enrolled in programs administered by the United Migrant Opportunity Service, Milwaukee, Wisconsin (Mar. 22, 1977, HRD-77-59).

10. Letter report to Labor's Assistant Secretary for Administration and Management on inadequate oversight of program to provide assistance to nonreservation Indians under title III-A of CETA (July 28, 1976).

SAMPLING ERRORS ON AWARD ACTIVITY ESTIMATES

We devised our sampling plan to provide a sampling error of not greater than 7 percent at the 95-percent level of confidence (see ch. 1). However, the actual sampling error on any one response estimate depends on the percentage of times the response was received, the percentage of times it was appropriate to ask the question, and for ONP-wide estimates, the distribution of responses in each ONP office.

To show sampling error sizes, we have calculated the upper and lower limits for the more crucial estimates. These data are shown in the following tables. (The first digit in the table number coincides with the report chapter in which this information is found.)

Table 2.1

How ONP Awards Funds

Award mechanism	Projection to adjusted universe		Estimated range of adjusted universe at the 95-percent level of confidence	
	Number	Percent (note a)	Number	Percent
Formula allocation	237	49	223 to 251	45 to 53
Soliciting proposals from more than one applicant	102	21	84 to 120	17 to 25
Soliciting proposals from only one applicant	140	29	120 to 160	25 to 33
Total	479	100		

a/Does not total 100 percent due to rounding.

Table 2.2

Extent of Sole Source Justification Found in Award Files

Extent of justification	Projection to adjusted universe		Estimated range of adjusted universe at the 95-percent level of confidence	
	Number	Percent	Number	Percent
No justification in files	66	47	58 to 74	41 to 53
Waiver of sole source review and justification in files	66	47	61 to 71	44 to 50
Sole source justification in files	8	6	0 to 16	0 to 11
Total	140	100		

Table 2.3

Extent of Award Renewals

ONP office	Projection to adjusted universe		Estimated range of adjusted universe at the 95-percent level of confidence	
	Number	Percent	Number	Percent
Special National Programs and Activities	64	88	59 to 69	81 to 95
Farmworker and Rural Employment Programs (note a)	37	70	24 to 50	60 to 80
Indian and Native American Programs	161	80	142 to 180	70 to 90
National Programs for Older Workers	64	91	59 to 69	84 to 98
Total (note a)	326	82	302 to 350	77 to 87

a/Excludes farmworker awards made under the competitive award process (see p. 12).

Table 2.4

Extent of Adequate Evaluations
Prepared on Prior Awards Before Refunding

ONP office	Projection to adjusted universe		Estimated range of adjusted universe at the 95-percent level of confidence	
	Number	Percent	Number	Percent
Special National Programs and Activities	11	17	6 to 16	9 to 25
Farmworker and Rural Employment Programs	29	79	22 to 36	60 to 98
Indian and Native American Programs	4	2	a/0 to 11	a/0 to 6
National Programs for Older Workers	0	0	-	-
Total (note b)	44	13	33 to 55	10 to 16

a/Estimated lower limit is less than zero.

b/Excludes farmworker awards made under the competitive award process (see p. 12).

Table 2.5

Reasons Given by ONP Representatives for Not Evaluating Awards Before Refunding Them

Reasons given (note a)	Projection to adjusted universe		Estimated range of adjusted universe at the 95-percent level of confidence	
	Number	Percent	Number	Percent
Not needed since performance known from monitoring	72	26	52 to 92	19 to 33
Not enough resources (dollars, time, and people)	59	21	40 to 78	14 to 28
ONP management did not require an evaluation	56	20	36 to 76	13 to 27
Claimed an evaluation was prepared (note b)	31	11	16 to 46	6 to 16
Never done since funds were awarded on an allocation basis	24	9	16 to 32	6 to 12
Don't know	20	7	9 to 31	3 to 11
Other	43	15	25 to 61	9 to 21

a/Figures do not total 100 percent since more than one reason could be cited.

b/In these cases, either the ONP representative could not supply the evaluation or the documents were so superficial that they provided little analysis.

Table 3.1

ONP Awards Showing Evidence of Cost and Technical Evaluation

ONP office	Type of evaluation	Projection to adjusted universe		Estimated range of adjusted universe at the 95-percent level of confidence	
		Number	Percent	Number	Percent
Special National Programs and Activities	Cost	24	33	17 to 31	23 to 43
	Technical	35	48	27 to 43	38 to 58
Farmworker and Rural Employment Programs	Cost	52	39	39 to 65	29 to 49
	Technical	60	44	45 to 75	33 to 55
Indian and Native American Programs	Cost	12	6	1 to 23	0 to 12
	Technical	4	2	a/0 to 11	a/0 to 5
National Programs for Older Workers	Cost	42	60	36 to 48	51 to 69
	Technical	44	63	36 to 52	52 to 74
Total	Cost	130	27	110 to 150	23 to 31
	Technical	143	30	123 to 163	26 to 34

a/Estimated lower limit is less than zero.

Table 3.2

ONP Awards Showing Evidence of Cost and Technical Negotiation

ONP office	Type of negotiation	Projection to adjusted universe		Estimated range of adjusted universe at the 95-percent level of confidence	
		Number	Percent	Number	Percent
Special National Programs and Activities	Cost	49	67	42 to 56	57 to 77
	Technical	38	52	30 to 46	42 to 62
Farmworker and Rural Employment Programs	Cost	52	39	38 to 66	28 to 50
	Technical	63	47	48 to 78	36 to 58
Indian and Native American Programs	Cost	8	4	a/0 to 17	a/0 to 9
	Technical	4	2	a/0 to 11	a/0 to 5
National Programs for Older Workers	Cost	44	63	36 to 52	52 to 74
	Technical	46	66	38 to 54	55 to 77
Total	Cost	153	32	133 to 173	28 to 36
	Technical	151	32	131 to 171	28 to 36

a/Estimated lower limit is less than zero.

Table 3.3

Extent of Negotiation Reports Prepared for Awards Negotiated by ONP

ONP office	Projection to adjusted universe		Estimated range of adjusted universe at the 95-percent level of confidence	
	Number	Percent	Number	Percent
Special National Programs and Activities	71	97	69 to 73	94 to 100
Farmworker and Rural Employment Programs	70	52	55 to 85	41 to 63
Indian and Native American Programs	0	0	-	-
National Programs for Older Workers	30	43	22 to 38	31 to 55
Total	171	36	154 to 188	32 to 40

Table 3.4

Frequency of ONP Preaward Work Authorizations

ONP office	Projection to adjusted universe		Estimated range of adjusted universe at the 95-percent level of confidence	
	Number	Percent	Number	Percent
Special National Programs and Activities	20	27	13 to 27	18 to 36
Farmworker and Rural Employment Programs	11	8	3 to 19	2 to 14
Indian and Native American Programs	4	2	a/0 to 11	a/0 to 5
National Programs for Older Workers	0	0	-	-
Total	35	7	22 to 48	4 to 10

a/Estimated lower limit is less than zero.

Table 3.5

Number of Preaward Work Authorizations Containing Protective Elements

Protective elements	Projection to adjusted universe		Estimated range of adjusted universe at the 95-percent level of confidence	
	Number	Percent	Number	Percent
A dollar limit on costs authorized to be incurred	9	26	5 to 13	15 to 37
A location where work is to be performed	4	11	1 to 7	2 to 20
A statement of work to be performed	7	20	3 to 11	9 to 31
The ceiling price of the award to be made	13	37	9 to 17	26 to 48
A performance or delivery schedule	2	6	0 to 4	0 to 12
A requirement that work start immediately	0	0	-	-
A cutoff date for the authorization	9	26	5 to 13	15 to 37
A clause limiting Labor's liability to the lesser of either Labor's maximum liability under the authorization or costs incurred up to the specified cutoff date	0	0	-	-
A requirement that the awardee and Labor enter into good faith negotiations to agree on terms and execute a definitive award	0	0	-	-

Table 3.6

Number of Awardees Placed on a Letter-of-Credit Payment System at the Start of or During the Award Period

ONP office	Projection to adjusted universe		Estimated range of adjusted universe at the 95-percent level of confidence	
	Number	Percent	Number	Percent
Special National Programs and Activities	11	19	6 to 16	10 to 28
Farmworker and Rural Employment Programs	14	12	6 to 22	5 to 19
Indian and Native American Programs	60	39	39 to 81	26 to 52
National Programs for Older Workers	4	6	0 to 8	0 to 12
Total	89	23	66 to 112	17 to 29

Table 3.7

Number of Awardees Meeting Letter-of-Credit Requirements

Requirement	Projection to adjusted universe		Estimated range of adjusted universe at the 95-percent level of confidence	
	Number	Percent	Number	Percent
$120,000 or more	89	100	81 to 97	a/91 to 100
More than 1 year	83	93	75 to 91	a/84 to 100
Minimize time that cash is on hand	17	19	12 to 22	14 to 24
Adequate control over funds	25	28	19 to 31	23 to 33
Minimize sub-recipients' available cash (note b)	4	18	3 to 5	16 to 20

a/Upper limit exceeds 100 percent.

b/Not all recipients anticipated using subgrantees or subcontractors in carrying out award activities.

Table 3.8

Reasons Given by ONP Representatives for Putting Awardees on a Letter-of-Credit Payment System When the Awardees' Qualifications Had Not Been Demonstrated (for all five criteria) (note a)

Reasons given	Projection to adjusted universe		Estimated range of adjusted universe at the 95-percent level of confidence	
	Number	Percent	Number	Percent
Office management did not require this to be done	50	70	40 to 60	56 to 84
Believed awardee qualified based on past experience	10	14	1 to 19	1 to 27
Don't know	4	6	1 to 7	2 to 10
Unaware of requirements	3	4	0 to 6	0 to 9
Other (note b)	5	7	1 to 9	2 to 12

a/Total reasons given exceed projected number due to rounding.

b/No single reason exceeds 3 percent of total responses.

Table 3.9

ONP Representative Responses on Actions Taken by ONP to Determine If Awardees Were Eligible to be Placed on a Letter-of-Credit Payment System

Actions taken	Projection to adjusted universe		Estimated range of adjusted universe at the 95-percent level of confidence	
	Number	Percent	Number	Percent
None	37	52	25 to 49	35 to 69
Knew of eligibility from past performance	20	28	9 to 31	12 to 44
Did not know	12	17	4 to 20	6 to 28
Determination made only on $120,000 criterion	2	3	0 to 4	0 to 6

Table 3.10

Frequency of Effective Award Dates Which Preceded the Dates Awards Were Signed

ONP office	Projection to adjusted universe		Estimated range of adjusted universe at the 95-percent level of confidence	
	Number	Percent	Number	Percent
Special National Programs and Activities	57	78	51 to 63	69 to 87
Farmworker and Rural Employment Programs	35	26	22 to 48	16 to 36
Indian and Native American Programs	177	88	161 to 193	80 to 96
National Programs for Older Workers	8	11	3 to 13	4 to 18
Total	277	58	254 to 300	53 to 63

Table 4.1

Extent of Monitoring of Awardees Found in Award Files

ONP office	Extent of monitoring	Projection to adjusted universe		Estimated range of adjusted universe at the 95-percent level of confidence	
		Number	Percent	Number	Percent
Special National Programs and Activities	None	29	40	22 to 36	30 to 50
	Little	35	48	27 to 43	38 to 58
	Regular	9	12	4 to 14	5 to 19
Farmworker and Rural Employment Programs (note a)	None	51	38	37 to 65	27 to 49
	Little	52	39	38 to 66	28 to 50
	Regular	32	24	19 to 45	15 to 33
Indian and Native American Programs	None	80	40	56 to 104	28 to 52
	Little	105	52	81 to 129	40 to 64
	Regular	16	8	3 to 29	1 to 15
National Programs for Older Workers	None	2	3	b/0 to 5	b/0 to 7
	Little	32	46	24 to 40	34 to 58
	Regular	36	51	28 to 44	39 to 63
Total	None	162	34	133 to 191	28 to 40
	Little	224	47	194 to 254	41 to 53
	Regular	93	19	72 to 114	15 to 23

a/Percents do not total 100 due to rounding.

b/Estimated lower limit is less than zero.

Table 4.2

Number of Awardees That Did Not Submit Most Required Reports for Most Current Reporting Period

ONP office	Projection to adjusted universe		Estimated range of adjusted universe at the 95-percent level of confidence	
	Number	Percent	Number	Percent
Special National Programs and Activities	24	33	17 to 31	23 to 43
Farmworker and Rural Employment Programs	51	38	37 to 65	27 to 49
Indian and Native American Programs	52	26	31 to 73	15 to 37
National Programs for Older Workers	20	29	13 to 27	18 to 40
Total	147	31	119 to 175	25 to 37

Table 4.3

Number of Awardees That Did Not Submit Most Required Reports for Prior Reporting Periods

ONP office	Projection to adjusted universe		Estimated range of adjusted universe at the 95-percent level of confidence	
	Number	Percent	Number	Percent
Special National Programs and Activities	20	27	13 to 27	18 to 36
Farmworker and Rural Employment Programs	22	16	11 to 33	8 to 24
Indian and Native American Programs	56	28	34 to 78	17 to 39
National Programs for Older Workers	16	23	9 to 23	13 to 33
Total	114	24	88 to 140	19 to 29

Table 4.4

Number of Times ONP Did Not Request Tardy Reports

ONP office	Projection to adjusted universe		Estimated range of adjusted universe at the 95-percent level of confidence	
	Number	Percent	Number	Percent
Special National Programs and Activities	29	94	27 to 31	a/86 to 100
Farmworker and Rural Employment Programs	49	86	42 to 56	74 to 98
Indian and Native American Programs	56	82	45 to 67	66 to 98
National Programs for Older Workers	18	64	13 to 23	46 to 82
Total	152	83	138 to 166	76 to 90

a/Estimated upper limit exceeds 100 percent.

Table 4.5

Number of Awardees Not Visited by ONP Representatives

ONP office	Projection to adjusted universe		Estimated range of adjusted universe at the 95-percent level of confidence	
	Number	Percent	Number	Percent
Special National Programs and Activities	35	48	27 to 43	38 to 58
Farmworker and Rural Employment Programs	49	36	35 to 63	25 to 47
Indian and Native American Programs	153	76	132 to 174	66 to 86
National Programs for Older Workers	42	60	34 to 50	49 to 71
Total	279	58	252 to 306	52 to 64

Table 4.6

Reasons Given by ONP Representatives for Not Visiting Awardees During Award Period (note a)

Reasons given	Projection to adjusted universe		Estimated range of adjusted universe at the 95-percent level of confidence	
	Number	Percent (note a)	Number	Percent
No money for travel	200	72	180 to 220	65 to 79
With large number of awards that ONP representative handles, there was not enough time	73	26	52 to 94	19 to 33
Other awards had higher priorities	28	10	14 to 42	5 to 15
Have monitored extensively in other ways (phone contact, correspondence, visits to ONP by awardee, etc.)	21	8	8 to 34	3 to 13
Awardee has been performing well; there is no need to visit	20	7	10 to 30	3 to 11
Other (note b)	51	18	35 to 67	12 to 24

a/Does not total 100 percent since some ONP representatives gave more than one response.

b/No single reason exceeds 3 percent of total responses.

OTHER EXAMPLES OF PROBLEMS FOUND WITH ONP-ADMINISTERED AWARDS

Chapters 2, 3, and 4 cited many problems with how ONP administers its awards. This appendix lists other examples.

USE OF SOLE SOURCE AWARDS

Case A. ONP awarded this sole source contract for recruiting, tutoring, and counseling persons for entry into apprenticeship for skilled trades in the construction industry. These services were to prepare applicants for entrance tests and job interviews. At about the same time, ONP made another sole source award to an awardee in the same geographic area also to place most of its applicants into apprenticeship within the building and construction trades. This program was to identify employment opportunities and tutor applicants so they could compete for employment, place qualified applicants, and follow up on their progress.

ONP waived sole source review for both of these awards. According to Labor guidance for these waivers, this meant that each awardee had a special competency and was a unique program within a locale. Since both awards were made for basically the same purpose and within the same geographic area, we question why they were awarded on a sole source basis.

Case B. This award was made to provide unemployed and disadvantaged persons with on-the-job training for jobs in the automotive, agricultural, and aircraft industries. ONP made the award on a sole source basis because it was impractical to obtain competition and waived sole source review. Our review of several of the awardee's subcontracts showed that many persons were to be trained in skilled occupations. In other instances, however, low skill occupations--such as utility workers, truck loaders, clerk typists, laborers, and fork lift operators--were also included. We question why the sole source award encompassed these occupations since many organizations could train applicants for these skills. (Another aspect of this award involving proposal evaluation was described in ch. 3.)

Case C. We noted several problems with a $515,500 award to produce a series of bilingual training films for ONP on organizing, planning, and conducting programs for migrants and farmworkers. The awardee was the only entity considered for this project. The ONP representative told us that the awardee was selected because it had produced satisfactory training films for another ONP program office and that no other organizations were contacted because the office needed to obligate the award funds before the end of the fiscal year. Satisfactory performance on prior awards is not an adequate reason for not considering other possible awardees.

Additionally, the award files did not contain evidence that ONP negotiated the proposal. The representative told us that the technical aspects of the proposal were not negotiated because he was completely unfamiliar with the technical requirements of film production. According to the representative, the project cost was negotiated from $600,000 to $515,500 by eliminating one film from the proposal. There was no other cost negotiation. The representative did not prepare a negotiation report.

We noted several problems with the award which should have been detected and corrected by ONP in the proposal evaluation and negotiation process. First, the award agreement did not mention who would own the completed films and how they were to be distributed. In this regard, the ONP representative told us that this should have been spelled out in the award, but was not because of the speed with which the award package was put together to meet the deadline for obligating fiscal year 1979 funds. At the time we talked with the representative, the program office had not decided how the films would be distributed although only 3 months remained in the award period.

Secondly, we noted that the award did not specify the project's reporting requirements to ONP, a standard requirement. The representative told us that the reporting requirements were handled by an oral understanding with the awardee.

Thirdly, we found several errors and ambiguities in the awardee's summary of staff costs which the ONP representative was unaware of and could not explain. Two of the problems in the staff cost summary were computational errors involving about $1,200. The other problems were ambiguous statements of salary costs. The representative told us that he would have the awardee submit a revised budget with corrections and clarifications.

Finally, we noted that the awardee was placed on a letter of credit without documenting that it met all the necessary requirements for this system. The representative told us that the awardee was on a letter of credit under another award and, therefore, did not need to submit this documentation again. We discovered, however, that the awardee was not on a letter of credit under the other award referred to by the representative.

JUSTIFICATION OF PROPOSED AWARD ACTIVITIES AND EXPENDITURES

Case D. Copies of this $348,800 farmworker award contained conflicting information regarding the number of participants to be trained and the compensation they would receive. ONP files contained three copies of the award package, and each had an original grant signature sheet. The program narrative in one package stated that 30 youths would be trained, while the budget information

summary indicated 27 planned participants. The other two award packages each showed that 27 youths would be assisted. The program narrative in the first package stated that all the trainees would be placed in construction jobs paying $5.10 per hour above the minimum wage; a few pages later, the narrative indicated that at least one-third of the youths would be placed in jobs paying $1.00 above the minimum wage. The other two award packages stated that one-third of the participants would be placed in jobs paying $5.10 above the minimum wage.

The ONP representative for this award was not previously aware of this conflicting information and could not tell us what the true objectives should have been.

Case E. An older worker program sponsor submitted an $18.6 million proposal to ONP to provide subsidized, part-time employment opportunities for about 4,000 low-income elderly persons. Additional funds became available, and ONP approved $19.7 million for this program. The awardee's proposed budget, however, was not changed to reflect this increased funding. The ONP representative for this award did not know why the budget was not changed.

A later $203,000 modification to this award did not have required documentation supporting the need for the additional funds. The ONP representative could not explain this lack of documentation other than to say that it might have been submitted by the awardee and misfiled by ONP.

Case F. In a $324,400 award to provide employment opportunities for Indians, we noted discrepancies in the total planned enrollment figures between the award's narrative program description and the award's program planning summary sheets which project the program's planned accomplishments on a quarterly basis. Since the documents did not agree, we could not tell how many people the awardee planned to train. The ONP representative for the award could not explain these inconsistencies.

Case G. An Indian program award for several employment and training activities provided $1.2 million for one segment that did not contain the required narrative program description or schedules detailing planned quarterly enrollments, placements, or expenditures. The ONP representatives responsible for the award could not explain why this information was missing.

Case H. A $5,250 modification to an older worker program award providing subsidized, part-time employment opportunities for low-income persons was approved by ONP without any backup information justifying the need for the additional funds. The justifying information was submitted 5 months later along with another modification. The ONP representative told us that the time for

processing the modification did not allow the awardee sufficient time to prepare the necessary supporting documentation. According to the representative, when deadlines are pressing and awardees are not able to provide timely award backup information, ONP will process the award while the awardee prepares the necessary supporting documentation.

Case I. The files for a $1.4 million award to provide employment and training opportunities for Native Americans did not contain required program backup information to allow proper monitoring of the awardee's activities. The awardee did not submit schedules detailing the project's planned quarterly enrollments and placements or expenditures. The ONP representative told us that the schedules were not submitted because of the awardee's lack of cooperation and competence. The absence of these forms would preclude effective monitoring because ONP could not compare the awardee's actual progress with what it originally planned to accomplish when the award was approved.

Case J. An Indian program award included $59,000 for youth employment activities. However, narrative and planning reports describing the activities to be carried out were not submitted by the awardee until over 4 months after the program became effective and about 5 months after ONP executed the award. The ONP representatives for this award could not explain why backup documentation for these activities was not submitted with the original award package.

Case K. ONP increased an awardee's budget from $226,474 to $305,886, but did not require the awardee to increase its work scope in providing services. The ONP representative agreed that the award should have been modified to include a change in the number of participants to be served.

Case L. The work statement for a $216,927 Indian program award was vague concerning the type of training participants were to receive. Although the statement listed occupations which were considered to be skill shortages in the area, it did not list the skills participants were to be trained in. The ONP representative for the award agreed that the work statement could have been more specific.

ERRORS IN AWARDEE BUDGETS

Case M. The budget salary schedules for a $1.9 million farmworker program contained numerous computational errors. Total salaries for the original grant were listed as $168,568 and were understated by $11,452 because of computation errors. The schedule for an award modification listed total salaries as $492,313 and was understated by $11,375. The ONP representative for the award could not explain these errors.

Case N. Salary costs shown on budget schedules on two modifications for a $3.1 million farmworker program award were incorrect. The total costs of individual employee positions were overstated by as much as $44,960 for some employees and understated by as much as $14,900 for others. The representative explained that some costs appeared understated because the awardee eliminated from the schedule salaries for the portion of time the positions would not be filled. This was not evident from the files. The representative could not explain why some salary costs were too high.

ONP'S CONDUCT OF NEGOTIATIONS

Case O. A $570,400 farmworker youth award was made by ONP without negotiating either the cost or the technical aspects of the proposal. The ONP representative told us that, while this award was being processed, he was occupied with another awardee and did not have time to negotiate this proposal. Thus, ONP did not assure itself that it made the most cost-effective award.

Case P. The memorandum of negotiation should be a complete record of negotiations, including the reasons for all agreements on the proposed work statement and budget. The memorandum of negotiation for a $507,000 award for a training project in the textile industry consisted of only three sentences. The memorandum stated that the contractor had asked ONP staff about the direction the contract should take and that staff suggestions were incorporated in the proposal. The memorandum further stated that, since the proposal did not exceed the funds set aside for the award and salaries, overhead, and other budget line items were reasonable, negotiations were completed. Accordingly, we could not determine from the memorandum what specifically was negotiated or the reasons for the negotiator's determinations.

Case Q. In a $930,400 contract to provide financial management system training and technical assistance to farmworker program sponsors, ONP informed the contractor of the amount it had budgeted for the program instead of allowing the contractor to submit a self-determined cost proposal. Thus, the contractor had no incentive to submit a proposal for less than the amount communicated to the contractor.

Additionally, the award's work statement did not specify the number of farmworker sponsors to be visited under the contract. This would hinder effective monitoring of the award and determining whether the awardee was meeting the contract terms. The current and prior ONP representatives assigned to the award told us that ONP assumed that all of the farmworker sponsors would be served.

QUESTIONABLE AWARD PRACTICES

Case R. A February 8, 1979, ONP memorandum cited possible misapplication of funds by the awardee and other problems. Also, a February 26, 1979, update to the ONP representative's report on her visit to the awardee noted that the awardee's fiscal accountability was poor. Yet, ONP gave the awardee an additional $77,747 on April 6, 1979. The representative said that all awardees in her office received additional funding for 1979. Still, in light of the awardee problems, she had no idea why the awardee received the additional funds.

Case S. In March 1979, ONP awarded a $222,400 contract to an organization to study the fiscal year 1978 economic stimulus program administered by ONP. Three months later the contract was modified for a totally different purpose--$230,600 for developing an orientation program for Puerto Rican agricultural laborers desiring seasonal jobs in the United States.

When we asked why the Puerto Rican orientation task was not awarded under a separate contract, the ONP representative told us that it was done as a matter of expediency. He told us that the Secretary of Labor wanted the program established as soon as possible, and it could begin much more quickly by modifying an existing contract than awarding a new one.

The representative told us that the orientation portion of the award was negotiated and administered by the U.S. Employment Service and that no other organizations were considered for the award.

PROTECTING THE GOVERNMENT IN PREAWARD WORK AUTHORIZATIONS

Case T. ONP sent a notification letter to an organization stating that it had been awarded a contract to continue promoting the participation of historically and predominantly black colleges in CETA programs. The authorization letter indicated that the scope of work had been agreed to previously and that the contract should be operated in accordance with this agreement. We could not find the work statement agreement referred to in the authorization letter. The ONP representative for the award told us that the agreement was in the form of a draft work statement identical to the work statement in the final contract. According to the representative, this document should have been with the award files. (Another aspect of this award involving monitoring of progress was described in ch. 3.)

MONITORING OF PROGRESS

Case U. An award file contained allegations of fraud about the awardee. The file did not contain results of a requested investigation, and the ONP representative did not know if the allegations were resolved. (Another aspect of this award was described in case M.)

Case V. An awardee did not submit 10 out of 27 required reports. The ONP representative said that his frequent contacts with the awardee made the submission of monthly progress reports unnecessary, even though these reports were required under the award. We found no evidence of contacts or any evidence of monitoring activity in the award files. (Another aspect of this award was described in case S.)

Case W. The award files showed that a public accounting firm questioned $677,304 in costs incurred by a subawardee. The ONP representative said that he was unaware of the situation. The questioned costs were unresolved when we interviewed the representative.

APPENDIX IV

U.S. Department of Labor

Assistant Secretary for
Employment and Training
Washington D.C. 20210

JUL 21 1981

Mr. Gregory J. Ahart
Director
Human Resources Division
U.S. General Accounting Office
Washington, D.C. 20548

Dear Mr. Ahart:

This is in response to your letter to Secretary Donovan requesting comments on the draft GAO report entitled, "The Labor Department's Office of National Programs Needs To Improve Administration of Its Employment and Training Awards". The Department's response is enclosed.

The Department appreciates the opportunity to comment on this report.

Sincerely,

ALBERT ANGRISANI
Assistant Secretary of Labor

Enclosure

GAO note: Cited page numbers refer to the draft report and not to this final report.

APPENDIX IV

U.S. Department of Labor's Response To
The Draft General Accounting Office Report
Entitled:

THE LABOR DEPARTMENT'S OFFICE OF NATIONAL PROGRAMS NEEDS TO IMPROVE ADMINISTRATION OF ITS EMPLOYMENT AND TRAINING AWARDS

July 1981

RECOMMENDATION (p. 19):

We recommend that the Secretary of Labor direct ONP to make greater use of competitive awards.

RESPONSE:

The Department concurs.

COMMENTS:

The Department agrees with GAO that competitive award procedures ought to be used whenever practicable. It should be explained, however, that most of the funds awarded by ONP are used in connection with formula grant programs. To illustrate, ONP's two largest programs are the Senior Community Service Employment Program (SCSEP) and the Native American Employment and Training Program (NAETP). In Fiscal Year 1981, these two programs will involve Federal obligations approximating $432 million, or about 72 percent of the $600 million that will be awarded for ONP programs in Fiscal Year 1981. Under both the SCSEP and the NAETP, funds are awarded through formula allocations to networks of grantees that are clearly identified in the enabling legislation and implementing regulations. The statutory and regulatory requirements that govern these two programs do not, in this regard, allow for the use of formal, competitive award procedures except in a limited number of well-defined situations.

Of the remaining $168 million that ONP will obligate in Fiscal Year 1981, more than half (or approximately $89 million) will be awarded to competitively selected grantees under the Employment and Training Program for Migrant and Seasonal Farmworkers and the Native American Private Sector Initiatives Program. This leaves roughly $79 million that will be obligated during Fiscal Year 1981 under programs where contracts and grants are not customarily awarded either on a formula basis or through formal competition.

In Fiscal Year 1982, awards that are made by ONP on a nonformula, noncompetitive basis will be substantially reduced. The table shown below illustrates the changes that are expected to take place ($ in millions).

	FY 1981	FY 1982
Formula Grants.....	$432 (72%)	$371 (75%)
Competitively Awarded Grants.....	$ 89 (15%)	$ 81 (16%)
Nonformula/Noncompetitive Awards....	$ 79 (13%)	$ 42 (9%)
Totals.....	$600 (100)	$494 (100%)

While the table shows that there will be only a slight proportional increase in competitively awarded funds, it also shows a significant decrease in awards that will be made neither on a formula basis nor through competition. It should also be noted that the $42 million shown for nonformula/noncompetitive awards may be regarded as a maximum figure and that the Department will give careful examination to the possibilities of awarding a substantial share of this $42 million competitively rather than noncompetitively. Moreover, the Department will ensure that noncompetitive awards are not made unless they are fully justified as being in the best interests of the Government and the tax-paying public.

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RECOMMENDATION (p. 19)

We recommend that the Secretary of Labor direct ONP to fully justify in writing all awards made on a noncompetitive basis.

RESPONSE:

The Department concurs.

COMMENTS:

ONP has been instructed to develop more precise and thorough written procedures that will prevent any instance where a noncompetitive award is made unless: (i) a proper justification has been prepared and documented and (ii) all necessary approvals have been obtained from higher authorities.

APPENDIX IV

RECOMMENDATION (p. 19):

We recommend that the Secretary of Labor direct ONP to prepare written assessments of an awardee's performance under prior awards before refunding the awardee.

RESPONSE:

The Department concurs.

COMMENTS:

ONP has been instructed to develop more precise and thorough written procedures to prevent any instance where a contract or grant is renewed unless the contractor's or grantee's performance under its prior funding agreement has been assessed and documented.

RECOMMENDATION (p.43):

We recommend that the Secretary of Labor separate ONP's grant and contract management functions from its program management functions. The award management function, including grant and contracting officer authority, should be independent of ONP

RESPONSE:

The Department concurs.

COMMENTS:

The Department agrees that the program management and contracting activities should be separate. Plans are being made to accomplish this separation.

APPENDIX IV

RECOMMENDATION (p. 43):

We recommend that the Secretary of Labor require that ONP's program offices fully carry out and document all evaluations of proposals and negotiations with applicants.

RESPONSE:

The Department concurs.

COMMENTS:

ONP has been instructed to develop more precise and thorough written procedures to prevent any instance where a contract or grant is awarded unless it has first been demonstrated and documented that: (i) the grant application or contract proposal has been carefully evaluated; and (ii) the final terms and conditions of the contract or grant were appropriately negotiated in a way to ensure effective use of Federal funds.

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RECOMMENDATION (p. 43):

We recommend that the Secretary of Labor require that ONP pre-award authorization letters specifically state what the Government and awardees have agreed upon in order to protect the interests of the Government.

RESPONSE:

The Department concurs.

COMMENTS:

ONP officials have been instructed to insure that the use of pre-award telegrams and letters is minimized and, in those instances where they are absolutely necessary, that they are adequately specific and precise in order to protect the interests of the Government.

RECOMMENDATION (p. 43):

We recommend that the Secretary of Labor require that ONP place awardees on letters of credit only after awardees document that they meet Federal requirements.

RESPONSE:

The Department concurs.

COMMENTS:

ONP has been instructed to develop more precise and thorough written procedures that will prevent the issuance of a letter of credit unless it has first been documented that the contractor or grantee meets all of the appropriate Federal requirements.

RECOMMENDATION (p. 43):

We recommend that the Secretary of Labor require ONP to begin award processing early enough so that award effective dates occur on or after the date both parties sign the award.

RESPONSE:

The Department concurs.

COMMENTS:

The Department intends to examine all reasonable steps that can be taken to avoid situations where contracts and grants are signed after the date they are to go into effect. Nonetheless, there will continue to be cases where formal execution of contract and grant documents cannot possibly take place before the work must begin or the program must get underway. In such cases, however, ONP has been instructed to ensure that all pre-award authorizations to contractors and grantees are adequately specific and precise to protect the interests of the Government while the formal documents are being prepared for signature.

RECOMMENDATION (p. 44):

We recommend that the Secretary of Labor request proposals for Indian program activities only after appropriations are known. This may involve delaying the start of the funding period until after the start of the fiscal year.

RESPONSE:

The Department does not concur.

COMMENTS:

The Department's Employment and Training Programs for Indians and other Native Americans are presently on a funding cycle that coincides with the Federal fiscal year. That is, all of the funds appropriated for these programs in a given fiscal year are awarded to grantees at the beginning of the fiscal year to be spent through the end of the fiscal year. In fiscal year 1981, for example, the grants provide for spending through September 30, 1981 -- the last day of the fiscal year. While the grantees will have a modest surplus of funds remaining on hand at the end of fiscal year 1981, the continuation of their programs after September 30, 1981 will be necessarily be based on expenditures from the fiscal year 1982 appropriation. The point of concern, here, is that the GAO recommendation would involve a delay in the issuance of the fiscal year 1982 grants until approximately January 1, 1982, thus creating a three-month gap in program funding (i.e., from October 1, 1981 through December 31, 1981). The only practical way to plug this gap would be to obtain a special, one-time appropriation to cover the programs during that three-month period. At this stage, the Federal budget-making process for Fiscal Year 1982 has advanced too far to admit any realistic possibility for requesting and securing a special appropriation for this purpose.

While the Department concedes that there would be many advantages gained in adopting GAO's recommendation, this issue must be reckoned with on a higher plane. More specifically, this recommendation goes directly to the broader proposition of "advance appropriations" for Federal domestic assistance programs. In this regard, the Department does not believe it is in a position to act on this recommendation until Government-wide policies and practices are framed around the "advance appropriations" issue.

APPENDIX IV

RECOMMENDATION (p. 52, 53):

We recommend that the Secretary of Labor direct ONP to place a greater emphasis on its monitoring activities. This emphasis should include (1) increased site visits; (2) prompt identification, followup, and resolution of problems with awardee performance; (3) documentation in award files of substantive agreements, problems, resolutions, or outstanding issues; and (4) development of a system to ensure that awardees submit required reports.

RESPONSE:

The Department concurs.

COMMENTS:

ONP has been instructed to increase the level of its onsite monitoring activities to the extent permitted by staff and travel resources. The goal will be to monitor each contractor and grantee at least once each year. ONP has also been instructed to develop more precise and thorough written procedures requiring staff to alert their supervisors on any significant issues or problems that arise with contractors and grantees and to ensure that written records are maintained concerning these issues and problems and the manner in which they are resolved. ONP has further been instructed to develop a reliable system for detecting and reacting to contractor and grantee delinquencies in their submittal of required financial and progress reports.

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*U.S. GOVERNMENT PRINTING OFFICE: 1981 - 341-843/759